# DISCLOSURE BY INSTITUTIONS

according to Regulation (EU) No. 575/2013

as at December 31, 2016

# Contents

**Notes:**

All amounts, unless otherwise specified, are expressed in thousands of euros.

Data refer to the prudential scope of consolidation.

Any discrepancies between data disclosed in this document are due to the effect of rounding.

With regard to both the standardized approach and the IRB methodology, non-weighted amounts concerning “guarantees given and commitments to disburse funds” were considered based on the credit equivalent, unless otherwise specified.

This document was prepared in accordance with specific Internal Regulation (Group Governance Rules).

Please note that the disclosures to be provided by the systemically important banks were published on the UniCredit group’s website according to the deadline defined in the relevant regulations (https://www.unicreditgroup.eu/en/investors/financial-reports.html).

# Contents cross reference to the regulatory disclosure requirements

## Cross reference to the EDTF recommendations

On 29th October 2012 the document "Enhancing the risk disclosures of banks" was published by the Enhanced Disclosure Task Force – EDTF, established by the Financial Stability Board (FSB). The document contains 32 recommendations aiming to improve disclosure transparency for those risk profiles investors envisaged the need of more clear and complete information for. The table below summarizes the allocation - in the present Disclosure by Institutions or in to the Consolidated Financial Statements - of the information related to the aforementioned recommendations (*).

| EDTF RECOMMENDATION TITLE | | REFERENCE TO THE PRESENT DOCUMENT (P3) – OR TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016 (CFS) | SECTION AND PARAGRAPH / TABLE |
|---|---|---|---|
| **General recommendations** | | | |
| 1.Disclosure - Indexing of risk information | P3 | Index | The present disclosure represents the document where all related risk information are reported including reference to other report or means of disclosures |
| 2.Disclosure - Risk terminology & measures | P3 | Glossary | A Glossary / Abbreviations chapter is included at the end of this document. Specific parameters and definitions are found in the single risks' sections. |
| 3.Top and emerging risks | P3 | General requirements | "Top and emerging risks" |
| 4. New key regulatory ratio (*) | P3 | Leverage | "Quantitative information" |
| | P3 | Liquidity Risk | "Liquidity Coverage Ratio" |
| **Risk governance & risk management strategies/business model** | | | |
| 5.Risk management organization | P3 | General requirements | "Risk Management Organization" |
| | P3 | Credit risk<br>Market risks<br>Liquidity Risk<br>Operational Risk | "Structure and Organization |
| 6.Risk management Risk culture | P3 | General requirements | "Risk Culture at UniCredit Group" |
| | P3 | Remuneration and incentive system and practices | |
| 7.Risk management and business model | P3 | General requirements | "Pillar II risks and integration of risks " (qualitative disclosure) |
| | P3 | Capital requirements | "Risk Weighted Assets segmentation" Table |
| | CFS | Notes to the Consolidated Accounts, Part L "Segment Reporting" | Section A "Primary Segment – Segment Reporting by Business Segment - year 2016" ("A.2- Breakdown by business segment: balance sheet amounts and RWA" table) |
| 8.Stress testing disclosures | P3 | Credit Risk<br>Market Risks<br>Operational Risk<br>Liquidity Risk | In the introductory chapter, and in the following paragraphs:<br>- "Counterparty Risk exposure"<br>- "Market Risks: exposure and use of internal models"<br>- "Stress test" |
| **Capital adequacy and risk-weighted assets** | | | |
| 9.Capital surcharges & buffers | P3 | Capital requirements | "Capital Adequacy" Table (*) |
| 10.Regulatory capital - summary and reconciliation | P3 | Own Funds | Tables:<br>- "Accounting and Regulatory Balance Sheet reconciliation, with cross-reference to Transitional Own Funds items"<br>- "Transitional Own Funds disclosure template" |
| 11.Regulatory capital - changes over time | P3 | Own Funds | "Flow Statement for Own Funds" Table |
| 12.Capital planning - targeted level of capital | P3 | Capital requirements | Qualitative information in the introductory chapter |
| 13.RWAs and business activities | P3 | Capital requirements | "Risk Weighted Assets segmentation" Table |
| 14.RWA calculation method and models | P3 | Capital requirements | Tables:<br>- "Credit and Counterparty risks"<br>- "Capital Adequacy"<br>- "Market risk capital requirement" |
| | P3 | Credit Risk | "Credit Risk: use of the IRB approach"<br>"Counterparty Risk exposure" |
| | P3 | Market Risks | "Market Risks: exposure and use of internal models" |
| | P3 | Operational Risk | "Description of the risk measurement methodology (AMA)" |
| 15.RWA - IRB RWAs by internal rating grade | P3 | Credit Risk | "Credit Risk: use of the IRB approach" and tables:<br>- "Internal rating based methodology - Advanced Method" Table<br>- "Internal rating based methodology - Advanced Method - Retail exposures"<br>- "Group Master Scale" |
| 16.RWA - Changes overtime | P3 | Capital requirements | "Yearly changes in Risk Weighted Assets" Table |
| 17.RWA - Backtesting | P3 | Credit Risk | "Credit Risk: use of the IRB approach"- sections:<br>- "Expected loss vs. Actual loss comparison"<br>- "Model performance comparison between estimated and actual results" |
| | P3 | Market Risks | "Market Risks: exposure and use of internal models" section "VaR Backtesting" |
| **Liquidity** | | | |
| 18.Liquidity | P3 | Liquidity Risk | - In the introductory chapter Liquidity Risk<br>- "Liquidity Risk: Liquidity Buffer and Funding Strategies" |
| | P3 | Scope of application | "Substantial or legal impediments, current or foreseeable, that hinder the rapid transfer of capital resources or funds within the Group" |
| **Funding** | | | |
| 19.Funding - Asset encumbrance | P3 | Liquidity Risk | "Liquidity Risk: encumbered and unencumbered assets" |

| EDTF RECOMMENDATION TITLE | | REFERENCE TO THE PRESENT DOCUMENT (P3) – OR TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016 (CFS) | SECTION AND PARAGRAPH / TABLE |
|---|---|---|---|
| 20.Funding - Maturity Analysis | P3 | Market Risks | "Market Risks: exposures to interest rate risk on positions not included in the trading book" |
| | P3 | Credit Risk | "Time breakdown by contractual residual maturity of financial assets and liabilities" Table |
| 21.Funding - Funding strategy | P3 | Liquidity Risk | - In the introductory chapter Liquidity Risk<br>- "Liquidity Risk: Liquidity Buffer and Funding Strategies" |
| **Market Risk** | | | |
| 22.Market Risk - linkages with positions included in the market risk disclosures | P3 | Market Risks | "Market Risks: exposure and use of internal models":<br>- "Risk measures" section<br>- "Link between market risk metrics and Balance Sheet items" table |
| 23.Market Risk - other significant risk factors | P3 | Market Risks | "Market Risks: exposure and use of internal models":<br>- section "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book"<br>- Interest Rates, Credit Spread, Equity and FX VaR Tables |
| 24.Market Risk - Model disclosures | P3 | Market Risks | "Market Risks: exposure and use of internal models" |
| 25.Market Risk - techniques to assess the risk of loss beyond reported risk measures and parameters | P3 | Market Risks | "Market Risks: exposure and use of internal models" - section "Stress testing" |
| **Credit Risk** | | | |
| 26.Credit Risk - Overall credit risk profile and credit risk concentrations | P3 | Credit Risk | Tables:<br>- "Breakdown of Sovereign Debt Securities by Country and Portfolio"<br>- "Breakdown of Sovereign Loans by Country"<br>- "Credit Risk: on/off balance sheet to banks/customers/by geographic area/by business sector"<br><br>Tables "Banking group – Balance sheet credit exposure to customers" with reference to:<br>- gross change in impaired exposures<br>- changes in overall impairment<br><br>"Breakdown of loans and advances to non-financial corporations by NACE codes" table |
| 27.Credit Risk - Impaired / NPLs policies | P3 | Credit Risk | - "Definition of impaired and past-due exposures"<br>- "Description of methodology applied to determine write-downs"<br>- "Loan Categorization in the risk categories and forborne exposures" |
| 28.Credit Risk - Impaired / NPLs opening v closing balances | P3 | Credit Risk | - Table: "Balance Sheet exposures: changes in overall impairments"<br>- "Loan Categorization in the risk categories and forborne exposures"<br>Tables "Banking group – Balance sheet credit exposure to customers" with reference to:<br>- gross change in impaired exposures<br>- changes in overall impairment |
| | CFS | Notes to the Consolidated Accounts, Part B "Consolidated Balance Sheet" | Section 7 - Loans and receivables with customers - Item 70 (7.1 and 7.2 tables)<br>(quantitative information on the purchased impaired loan) |
| 29.Credit Risk - Derivatives exposure | P3 | Credit Risk (Counterparty Risk exposure) | "Counterparty Risk exposure" table<br>Tables:<br>-"Assets subject to accounting offsetting or under master netting agreements or similar ones"<br>-"Liabilities subject to accounting offsetting or under master netting agreements or similar ones"<br>-Tabelle da pagina 148 a pagina 158 |
| 30.Credit risk mitigation | P3 | Credit Risk | - "Counterparty Risk exposure"<br>- "Credit Risk: use of risk mitigation techniques"<br>Tables:<br>- "Banking group – distribution of collaterals on credit exposures to banks and customers"<br>- "Banking group – distribution of guarantees on credit exposures to banks and customers" |
| **Other Risk** | | | |
| 31.Other Risks - Risk types and risk management | P3 | General requirements | "Pillar II risks and integration of risks " |
| | P3 | Operational Risk | "Description of the risk measurement methodology (AMA)" |
| 32.Other Risks - Publicly known risk events | CFS | Notes to the Consolidated Accounts, Part E "Information on risks and related risk management policies" | Section 4, Operational risk, "B. Legal risks" paragraph |
| | P3 | General requirements | "Top and emerging risks" |
| | | | |
| Additional information required with a increasing granularity as a part of the recommendation number 2,3, 4, 5, 8, 12 relating to the issued IFRS 9 Financial Instruments, the new accounting standard, mandatorily effective for annual periods beginning on or after January 1, 2018, that will replace IAS 39 Financial Instruments: Recognition and Measurement. *("Impact of Expected credit loss approaches on bank risk disclosure" EDTF Document)* | CFS | Notes to the Consolidated Accounts, Part A "Accounting Policies" | Section 5 "Other Matters" |

(*) Please note that information raising from Regulation not in force as at December 31, 2016 are not disclosed in the present "Disclosure by institutions" (Net Stable Funding Ratio – "NSFR").

# Cross reference to the new EBA requirements (EBA/GL/2016/11)

From December 31st, 2016, in according to the Guidelines published by EBA in December 2016, Global systemically important institutions (G-SII) are encouraged to early publish a first subset of information pursuant to the requirements contained in the guidelines aforementioned.

The table below shows the cross reference to the information required including in the present Disclosure by Institutions.

| TABLE NAME | CHAPTER | SECTION |
|---|---|---|
| EU OV1 – Overview of RWAs | Capital requirements | |
| EU CR5 – Standardised approach – Credit Risk | Credit Risk | Use of ECAIs' ratings |
| EU CCR3 – Standardised approach – Counterparty Risk exposures by regulatory portfolio and risk weights | Credit Risk | Use of ECAIs' ratings |
| EU MR1 – Market Risk under the standardised approach | Capital requirements | |
| EU MR2-A – Market risk under the internal model approach (IMA) | Market risk | Exposure and use of internal models - Risk measures |

## Cross reference to the information required by CRR

| CRR Article | Content | Reference to the chapter in the present Disclosure by Institutions | Reference to the external documents |
|---|---|---|---|
| 435 | Risk management objectives and policies | ▪ General requirements | ▪ Consolidated Financial Statements as at December 31, 2016 - Part E "Information on risks and related risk management policies":<br>○ Section 5 "Other Risks":<br>– Pillar II risks and integration of risks (business risk, real estate risk, financial investment risk and reputational risk);<br>– Risk Measurement Methods.<br>○ "Risk Management in UniCredit Group" paragraph:<br>– Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite.<br>▪ UniCredit Group website link https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html - ( "Corporate Governance report" document):<br>– information on corporate governance, inclusive of the Internal Control & Risk Committee and the number of times the this committee has met. |
| | | ▪ Introductory part in the following chapters:<br>– Credit risk<br>– Market risk<br>– Operational risk<br>– Liquidity risk | |
| | | ▪ Liquidity Risk:<br>– Liquidity Coverage Ratio (LCR) Section | |
| 436 | Scope of application | ▪ Scope of application<br>▪ Annex 2 - Scope of application | |
| 437 | Own funds | ▪ Own funds | ▪ Consolidated Financial Statements as at December 31, 2016 - Part F "Consolidated Shareholders' Equity" – Section 1 - tables:<br>– B.1 Consolidated Shareholders' Equity: breakdown by type of company<br>– B.2 Revaluation reserves for available-for-sale assets: brekdown<br>– B.3 Revaluation reserves for available-for-sale assets: annual change<br>– B.4 Revaluation reserves related to defined benefit plans: annual changes |
| | | ▪ Annex 1 - Capital instruments main features templates | ▪ UniCredit Group website:<br>– Full terms and conditions of all capital instruments (Article 437, paragraph 1, letter c) link https://www.unicreditgroup.eu/en/investors/funding-and-ratings/programs/bank-capital.html<br>– Annex 1 in editable format (excel) to link https://www.unicreditgroup.eu/en/investors/third-pillar-basel-two-and-three.html) |
| 438 | Capital requirements | ▪ Capital requirements | |
| 439 | Exposure to counterparty credit risk | ▪ Credit risk:<br>– Counterparty risk exposure Section | |
| 440 | Capital buffers | ▪ Capital requirements | |
| 441 | Indicators of global systemic importance | | ▪ UniCredit Group website link https://www.unicreditgroup.eu/en/investors/financial-reports.html - (G- SIBs report) |

| CRR Article | Content | Reference to the chapter in the present Disclosure by Institutions | Reference to the external documents |
|---|---|---|---|
| 442 | Credit risk adjustments | ▪ Credit risk:<br>– Write downs Section | |
| 443 | Unencumbered assets | ▪ Liquidity risk:<br>– Encumbered and unencumbered assets Section | |
| 444 | Use of ECAIs | ▪ Credit risk:<br>– Use of ECAIs' ratings Section<br>– Use of the IRB approach Section – "Rating Group Master Scale" table | |
| 445 | Exposure to market risk | ▪ Market risk<br>▪ Capital requirements – EU MR1 table | |
| 446 | Operational risk | ▪ Operational risk | |
| 447 | Exposures in equities not included in the trading book | ▪ Market risk:<br>– Equity exposures not included in the trading book Section | |
| 448 | Exposure to interest rate risk on positions not included in the trading book | ▪ Market risk:<br>– Exposures to interest rate risk on positions not included not included in the trading book Section | |
| 449 | Exposure to securitisation positions | ▪ Securitization exposures | ▪ Consolidated Financial Statements as at December 31, 2016:<br>○ Annex 3 "Securitization":<br>– tables showing the features both of traditional (including self-securitizations) and synthetic securitizations.<br>○ Part E "Information on risks and related risk management policies" – Section 1 "Credit risk", "C. Securitization transactions "paragraph:<br>– losses recognised during the current period regarding to the exposures securitised (C.1 and C.2 tables). |
| 450 | Remuneration policy | ▪ Remuneration and incentive systems and practice | ▪ UniCredit Group website link https://www.unicreditgroup.eu/en/governance/shareholders-meeting/archive/2017/20-april-2017-ordinary-extraord-shareholders-meeting.html |
| 451 | Leverage | ▪ Leverage | |
| 452 | Use of the IRB Approach to credit risk | ▪ Credit risk:<br>– Use of the IRB approach Section | |
| 453 | Use of credit risk mitigation techniques | ▪ Credit risk:<br>– Use of risk mitigation techniques Section | |
| 454 | Use of the Advanced Measurement Approaches to operational risk | ▪ Operational risk:<br>– Use of Advanced Measurement Approaches Section | |
| 455 | Use of Internal Market Risk Models | ▪ Market risk:<br>– Exposure and use of internal models Section | |

# General requirements

**Risk Management Organization**

UniCredit Group monitors and manages its risks through rigorous methodologies and procedures proving to be effective through all phases of the economic cycle.

The control and steering of the Group's risks are exerted by the Parent Company's Risk Management function which pursues its own steering, coordination and control role in particular through the "Portfolio Risk Managers" which are responsible for the relevant risks, from a Group perspective. Furthermore, the model considers a specific point of reference for Italy through the "Chief Risk Officer (CRO) Italy" function, to which the responsibilities related to credit, operational and reputational risks of the Italian perimeter of UniCredit S.p.A., as well as the managerial coordination of the credit activities of the Italian Legal Entities of UniCredit S.p.A. perimeter, have been assigned.

In particular, the Risk Management function is responsible for the following tasks:

- optimize the quality of the Group's assets, minimizing the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk. It also ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent Chief Operating Officer (COO) functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Planning, Finance, Shareholding and Investor Relations;
- help the Business Functions achieve their goals, including by assisting in the development of products and businesses (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- support the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to Planning, Finance, Shareholding and Investor Relations. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Planning, Finance, Shareholding and Investor Relations and other relevant functions; each parameter can be complemented by limits and triggers proposed by the CRO[1] and targets proposed by Planning, Finance, Shareholding and Investor Relations and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, the 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 Risk Appetite Framework. Planning, Finance, Shareholding and Investor Relations remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

Consistently with the Risk Management function architecture and in order to strengthen the capacity of independent steering, coordination and control of Group risks, improving the efficiency and the flexibility on the risk decision process and addressing the interaction among the relevant risk stakeholders, three distinct levels of Risk Committees are in place:

- the "Group Risk & Internal Control Committee" responsible for steering, coordinating and monitoring the risks at Group level as well as supporting the CEO in the management and oversight of the internal control system;
- the "Group Portfolio Risks Committees", tasked with addressing, controlling and managing the different portfolio risks:
  - Group Market Risks Committee;
  - Debt Capital Markets Commitment Committee;
  - Group Operational and Reputational Risks Committee;
  - Group Assets and Liabilities Committee;
  - Group Credit Risk Governance Committee;
- the "Group Transactional Committees" in charge of evaluating the single counterparties / transactions impacting the overall portfolio risk profil:
  - Group Credit Committee;
  - Group Transactional Credit Committee;
  - Group Rating Committee.

[1] Possible triggers and limits on profitability parameters must be agreed between Chief Risk Officer and Chief Financial Officer (CFO)

The Group Risk & Internal Control Committee, that established since October 1st, 2015 substitutes the Group Risk Committee, has the responsibility of steering, coordinating and monitoring the risks at Group level as well as supporting the CEO in the management and oversight of the internal control system. In particular the GR&ICC is responsible for:

- establishing policies, guidelines, operational limits and methodologies for the measurement, management and control of the risks as well as for the definition of the methodologies for the measurement and control of internal capital and for the evaluation of risks reporting and estimates of provisions on risks;
- management and oversight of the internal control system ("ICS") of UniCredit Spa and at Group level, through the monitoring of its weaknesses and shortcomings weaknesses and shortcomings and, if needed, addressing and prioritizing potential corrective actions, as well as the monitoring of the relevant initiatives at Group level regarding the ICS aiming at reinforcing the effectiveness and efficacy of the ICS.

The Board of Directors, pursuant to the provisions of the Self-Regulatory Code, and under Bank of Italy supervisory provisions, is supported by the Internal Control & Risk Committee, established among Board members, in order to foster an efficient information and advisory system that enables it to better assess risk related topics for which it is responsible,

Further information on corporate governance, inclusive of the Internal Control & Risk Committee and the number of times the this committee has met, is included in the document "Corporate Governance Report", published on the Group Internet site in the section: Governance » Governance system & policies » Corporate Governance report (https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html)

## Risk Culture in UniCredit Group

**UniCredit defines risk culture** as the norms of behavior, reflected in the daily thoughts and actions of all bank's employees, that determine the collective and individual ability to identify, understand, openly discuss and make decisions on the organization's current and future risks.

Financial institutions operating in the first years of the 21st century must contend with a very challenging environment. The financial system of the new millennium is characterized by greater degrees of interconnectedness, heterogeneous regulatory rules, increasingly rapid dissemination of time-sensitive financial information, and highly mobile pools of cross-border capital. All of these factors combine to create interesting business opportunities – but often some significant risks as well. In fact, the risks of sharp dislocation, high volatility, widespread financial contagion, large defaults and, ultimately, serious losses appear to be greater than at any time in our history, and so must be at the center of every risk manager's thoughts and actions.

Since the financial markets crisis, both the financial industry and regulators have been addressing the issue of risk culture, giving a definition of it, identifying its key elements, establishing principles of conduct, providing recommendations and issuing guidelines. The main documents are mentioned here below.

- **Institute of International Finance (IIF)**, 17 July 2008, "Final Report of the IIF Committee on Market Best Practices: Principles of Conduct and Best Practices Recommendations – Financial Services Industry Response to the Market Turmoil of 2007-2008". In this document the financial industry establishes the principle that **effective cultivation of a consistent risk culture throughout firms is the main enabling tool in risk management**. Moreover, the following recommendations are provided:
    - Firms should establish clear policies that define risk management as the responsibility of each institution's senior management, in particular the CEO;
    - Boards have an essential oversight role in risk management;
    - Risk management should be a priority for the whole firm and not be focused only on particular business areas or made a purely quantitative oversight process or an audit or a control function;
    - Risk management should be a key responsibility of the entire business-line management;
    - All employees should have a clear understanding of their responsibilities in regard to the management of risks assumed by the firm and should be held accountable for their performance with respect to these responsibilities.
- **Institute of International Finance (IIF)**, 9 December 2009, "Risk Culture" – Appendix III to the Report of the IIF Steering Committee on Implementation "Reform in the Financial Services Industry: Strengthening Practices for a More Stable System". In this document the IIF identifies the key elements of an effective risk culture and the most common categories of risk culture failings within organizations.
- **European Banking Authority (EBA)**, 27 September 2011, "EBA Guidelines on Internal Governance". In this document the EBA requires that a financial institution shall develop an integrated and institution-wide risk culture, based on a full understanding of the risks it faces and how they are managed, taking into account its risk tolerance and appetite.

Furthermore, on 7 April 2014 the **Financial Stability Board (FSB)** issued the document "Guidance on Supervisory Interaction with Financial Institutions on Risk Culture – A Framework for Assessing Risk Culture", which identifies the foundational elements that contribute to the promotion of a sound risk culture within financial institutions. It aims at assisting supervisors in assessing the soundness and effectiveness of a financial institution's culture in managing risks. There are several indicators of a sound risk culture that need to be considered collectively and as mutually reinforcing. These indicators include:

- *Tone from the top*: The board of directors and senior management are the starting point for setting the financial institution's core values and risk culture, and their behaviors must reflect the values being espoused.
- *Accountability*: 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 greater, long-term interests of the financial institution and its clients, including sustained profitability, as opposed to short-term revenue generation.

As far as concerns UniCredit, its Board of Directors – supported by its Internal Controls & Risks Committee ("ICRC") – is vested with various authorities. The Board is called upon directly, inter alia, to:

- formalize policies for governing risks that the Group may be exposed to, as well as risk targets and tolerance thresholds, periodically reviewing them to ensure their effectiveness and supervising the actual functioning of risk management and control processes in compliance with current legal and regulatory provisions. In particular, the Board shall also have jurisdiction over approving policies for managing non-compliance risks;
- assess the adequacy of the organizational, administrative and general accounting structure of UniCredit and its main subsidiaries (to be identified by the Board of Directors), as arranged by their Chief Executive Officers, with particular reference to the internal control system and conflict of interest management;
- ensure that all principal corporate risks are being correctly identified and adequately measured, managed and monitored, determining criteria for ensuring the compatibility of such risks with the sound and proper management of the Company.

Furthermore the Board, again supported by the ICRC:

- determines criteria for ensuring the compatibility of corporate risks with the sound and proper management of the Company (risk appetite);
- analyzes the reports made by the management control coordination committees on their activities.

In addition to that, the Internal Controls Sub-Committee (within the ICRC):

- assesses any remarks contained in the reports received from the Control functions, or from the Boards of Statutory Auditors of the companies belonging to the Group, or from third party investigations and/or analyses;
- analyzes the periodical reports produced by the control functions Internal Audit and Compliance, however not with reference to legal and regulatory requirements,

and the Risks Sub-Committee (also part of the ICRC):

- examines the Group risk assessment;
- supports the Board of Directors in its oversight of the actual functioning of the risk management and control processes (in respect of credit risk, market risk, liquidity risk and operational risk) in compliance with legal and regulatory requirements; and, with regard to credit risk, assists the Board of Directors in monitoring concentration risk, by industry and individual names;
- analyzes the periodical reports produced by the Risk Management function not with reference to legal and regulatory requirements.

In the light of the above the Board of Directors, for example, is called upon to resolve on topics such as: the definition and revision of the Internal Rating Based systems and other internal models for risk measurement; the setting of framework and limits of Group concentration risks.

Finally, the Board is also vested with certain exclusive managerial authorities concerning transactions entered into by the bank with related parties as well as relevant restructuring initiatives.

The success of risk-taking institutions in this new economic environment highly depends on their risk management capabilities. The key pillars of successful risk management include understanding risk and its effects on the income statement and the balance sheet, creating a consistent base level of technical risk knowledge, reinforcing communications at all levels, and creating a mindset that anticipates changes in the macro environment.

In order to be properly prepared to deal with these challenges, the UniCredit Board of Directors is strongly committed to, and focused on, cultivating a consistent risk culture throughout the Group – the initiative having been identified as the main enabling tool in risk management.

In this context of rapidly evolving markets and regulatory requirements, the Group Risk management, in line with its mission as defined by the Board of Directors of UniCredit, has launched a structured and comprehensive approach to strengthen UniCredit risk culture. The transformational program aims at changing mindset and behaviours of all bank's employees, across all organizational levels, from top management to front-line, by addressing the following areas: governance, learning and development, performance management and communication.


Building and ultimately strengthening a sound risk culture is a **multi-focus, multi-step process** that is **implemented over time**, across business and control functions.

**Governance**

***Risk Governance*** – One of the key elements in risk management is the Risk Appetite Framework. Embedding the Risk Appetite in the Group processes is considered by the bank of paramount importance for a consistent risk culture implementation. The Risk Appetite Framework is an effective and forward-looking managerial tool developed with the purpose of setting the desired risk attitude that best steers the business of the bank consistently with an adequate levels of risk.

***Risk Appetite*** defines the level of risk that UniCredit Group is willing to take in pursuit of its strategic objectives and business plan, taking into account the interest of its stakeholders (e.g. customers, policymakers, regulators, shareholders, …) as well as capital and other regulatory and law requirements.
The main goals of UniCredit Group's Risk Appetite are to:

- assess explicitly the risks, and their interconnections, UniCredit Group is willing to accept or should avoid in a forward looking view;
- specify the types of risk UniCredit Group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- ensure an "ex ante" risk-return profile consistent with long term sustainability, in coherence with multi-year strategic plan/ budget;
- ensure that the business develops within the risk tolerance set by the Holding Company Board of Directors, also in respect of national and international regulations;
- support the evaluation of future strategic options with reference to risk profile;
- address internal and external stakeholders' view on risk profile coherent with strategic positioning;
- provide qualitative statements concerning not quantifiable risks (e.g. strategic, reputational, compliance) in order to strategically guide the relevant processes and the internal control system.

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

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

The Risk Appetite Framework defines the desired risk profile of the Group in terms of strategic targets, triggers and limits, in order to ensure the control on the overall risk and return positioning. Targets represent the amount of risk the Group is willing to take on in normal conditions in coherence with Group *Ambition*. They are the reference thresholds for the development and steering of the business. They are set broad enough to ensure business flexibility to pursue the highest level of healthy business generation, but sufficiently stringent to avoid undesired risks. Limits are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group. Between targets and limits, triggers represent, from a managerial stand point, 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. In the monitoring phase, an escalation process is set in order to ensure an adequate reaction when triggers or limits are breached.

Risk appetite metric-setting and related targets, triggers and limits are integrated in the budgeting process, regularly monitored and cascaded down into the day-by-day risk management and business activities of the Group.

Risk appetite framework is complemented with a set of risk strategies in order to translate the risk appetite boundaries into operative limits to properly steer the business. Risk strategies represent a key aspect of the integration among the legal entities belonging to the Group and the adoption of the risk appetite framework in the business.

UniCredit's risk appetite is reviewed annually, in parallel with budgeting and planning processes, in order to grant its consistency with Group strategies, with business and market conditions, and with stakeholders' requirements.

Also 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.

**Learning & Development**

**Competency model** – The competency model of UniCredit describes those behaviors that are expected from all UniCredit people to support the bank meeting its ambitions and customers' evolving needs. It is based on five fundamentals, defined by the Group's leaders, that serve as a compass to the decision making in every professional situation.

One of these five fundamentals is dedicated to the importance of risk culture and risk management. "Risk Management" defines key behaviors with respect to risk management, as for example to recognize all risks impacting business, to manage them transparently and to advocate one common understanding of risk throughout UniCredit.
The UniCredit competency model is the basis on which all employees of the Group are appraised and developed in yearly performance management processes (Executive Development Plan, Talent Management Review, Performance Management).
These behaviors are part of the Group's essence, giving shape to the way of "being UniCredit".

**Training** – Training is fundamental to risk culture. To strengthen the awareness of risk management and to deepen the firm's risk culture, UniCredit has created and is continuously developing the "Risk Academy", an initiative designed and managed within Group Risk Management competence line in cooperation with internal learning and training competence centers. The Risk Academy serves as a center of excellence for risk culture and risk training, providing a common and consistent learning approach to risk issues and the risk environment. With the set-up of Risk Academy, practical expert know-how joins state-of-the-art learning. Risk Academy has created a multi-tier risk learning framework which addresses the educational needs of professionals at all levels, with dedicated learning streams that are available to all of the firm's professional staff. The Risk Academy also follows a global approach: the same learning and training offer is available to the entire group and participants join from different Legal Entities and countries. This global approach further strengthens the idea of a common risk culture and supports a group-wide understanding of major risk concepts and risk know-how.

Since knowledge of risk and risk culture has several components, and must address different levels of experience and responsibility, Risk Academy has designed differentiated training and learning offers, both on line and in classroom.

Since its establishment, the Risk Academy has provided over 370,500 hours of training to more than 18,500 people – of which 2,669 colleagues taking 26,300 training hours in 2016 – through multiple programs, both on line and in classroom, designed for all employees of UniCredit Group. Substantial training programs have been deployed also at local level to strengthen the awareness of the importance of better risk management.

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

**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 Risk function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite framework. In particular, the Board of Directors with the support of the competent Supervisory Committees (Remuneration Committee and Internal Control and Risk Committee) and upon the input of involved functions ensures the link between profitability, risk and reward within Group incentive systems. For further information with regards to the risk-alignment of compensation policies, please refer to the dedicated chapter published annually in the year-end version of this document.

**Risk-based KPIs** – At Group level, the strong commitment to a consistent risk culture as well as the individual accountability on risk, compliance and controls is constantly promoted and enhanced. The Department of Human Resources (HR) 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, HR 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 senior executives of the Group), Group Incentive System, Learning & Development.

Since 2012, as part of the ongoing Executive Development Program and Incentive System process, the Group put specific emphasis on risk, *compliance* and control features. In particular:

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

**Communication**

Within the UniCredit risk culture transformation program, great emphasis is put on aligning and re-iterating key messages on UniCredit mission, values, strategy and risk appetite, as well as on the importance of and commitment to a strong risk culture. Furthermore, top management care is devoted to transforming words into tangible actions and to show how the Group is embedding risk culture into its operating practices.

In order to achieve these targets, a comprehensive communication approach has been adopted. An editorial plan for the members of the Executive Management Committee has been developed, so they can communicate common statements on **how risk culture is at the core of UniCredit strategy and why a sound risk culture is essential for healthy growth and sustainable profitability**. During 2016 a number of articles and news related to risk culture and risk management were posted on the UniCredit Group intranet site, attracting about 43,000 page views.

Finally, starting from 2014 the intranet site of UniCredit Group Risk Management has been completely redesigned in contents and graphics that attracted, during 2016, a total of 38,500 page views. The intranet site, includes a dedicated section on risk culture, that describes the program to strengthen UniCredit risk culture, the Risk Academy offering and selected real-life examples of risk culture in action, namely, tangible examples of deals, agreements, products or processes that are based on sound risk principles. They now serve as a live knowledge-sharing platform and drew more than 21,000 page views during 2016.

In 2017 we will continue to focus on further initiatives to bring a visible and concrete impact to increasingly enhance risk, *compliance* and control culture, awareness and responsibility.

All of these form the “fabric” of a risk culture and must be allowed to develop in the right environment.

**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.

Over 2016, the Group paid particular attention to following kind of risks :

1. Economic global uncertainty and moderate growth for Italian economy;
2. **Geopolitical Risks** existing in the areas where Unicredit operates, especially in **Turkey** and **Russia;**
3. Risks stemming from **Regulatory environment evolution** and in particular regarding regulatory developments that could affect Group profitability

***1. Economical Global uncertainty***
The conditions of the global economy improved slightly in the last year. However, the outlook remains subject to several uncertainties; those of the United States depend on the economic policies of the new administration, not yet defined in detail: an expansionary impact (at the moment difficult to quantify) can be derived by the actions announced in the area of fiscal policy, but adverse effects may arise from the adoption of trade restriction measures. Global growth could be slowed by the onset of turbulence in emerging economies associated with the normalization of US monetary policy.
At the end of November, oil prices have risen following the agreement on a production cut, which was signed by the OPEC countries and some non-OPEC countries like Russia. The agreement held, however, remains doubtful, due to geopolitical tensions between the countries of the cartel.
Inside this frame the Italian economy recovery continued, albeit moderately considering the trend of main indicators are positioned at a high level in the fourth quarter of 2016, and the GDP could be increased to 0,9% for 2016,+0,8% for 2017 and 1,1 % both in 2018 and in 2019. This reflects the assumption that there are no tensions Financial markets in Italy, reflecting also the hypothesis, which in our country is not interrupted the realization of the reform process startedin the last few years.

***2. Geopolitical Risks***
In **Turkey**, the economic performance worsened sharply in second half 2016 with political shocks, security concerns, and rating downgrades pushing the economy into recession. While growth should pick up in 2017 in the absence of further shocks, political uncertainty will keep markets volatile and under pressure at least through mid-2017 with expected growth in Turkey to rebound to slightly above 3% by end 2017. This rebound will partly benefit from the expected recovery in global growth, and a partial recovery in tourism and the expected lifting of the Russian ban on agricultural exports from Turkey.
From political point of view, the Turkey’s parliamentary constitutional committee approved a constitutional amendment package to switch towards a presidential system while EU Commission reported it wants to improve economic ties with Turkey by expanding the already existing 20-years old Customs Union agreement also to agriculture, services and public procurement sectors; this process will modernize the Customs Union and it would bring substantial economic benefits for both partners as well as a significant increase in trade volume between Turkey and EU by 50% over the next 10 years.
In this kind of context Yapi Kredi show a solid asset quality (NPE ratio around 5%), adequately covered ( >60%) with sound capital position.

In **Russia**, despite the improving external environment, the recovery remains elusive mainly due to the weakness of internal situation. External conditions for the Russian economy have improved since 3Q16, with growth in the EU and the U.S. now expected to be stronger and oil prices on the rise.
There have been some signs that the Russian political elite has come to realize the need for reforms, but it is yet uncertain whether these shifts will result in policy actions after the 2018 election.
As upside, the Mr. Trump’s election as the U.S. president as beneficial for Russia, because are expected some thaw in relations, but above all the removal of sanctions implemented by previous administration.
In the meanwhile UE extended until end-July 2017 the economic sectorial sanctions against Russia, restricting financial assistance to state-owned banks, state-owned oil companies and other industries even though some Member States have been expressing, in recent months, the willingness to discuss more in-depth a further extension (July 2017), advocating a normalization in the relationships between EU and Russia, and a full recovery of the bilateral trade.
UniCredit Bank in Russia keeps on showing an acceptable NPE ratio (below 10%) coupled with a sound coverage ratio (well above 60%) and robust liquidity and capital positions.

***3. Regulatory and Macroeconomic environment evolution***

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity, which is going to increase in the coming year, has been fed by the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect our Group and introduce additional challenges for the general banking sector profitability and capital requirements.
The most relevant changes are the following:

- *Revision to the Basel III framework for the calculation of risk weighted assets* for credit, operational and market risk. Although these new rules (known as Basel IV) have not been defined in detail yet, the regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and the return to a more stringent standardized approach, to eliminate internal models for operational risks, and to introduce more stringent and sophisticated internal models and standardized approaches for measuring market risk in the trading portfolios.

- *Entry into force of the leverage ratio*, an additional regulatory requirement compared to the risk based indicators envisaged in the Basel III package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union is expected by the end of 201 for application starting in 2020. Further details are reported in Leverage chapter.

- *Entry into force of the liquidity requirements* envisaged in Basel III. These requirements are basically two: a short term indicator (Liquidity Coverage Ratio, "LCR"), with the goal to have banks to maintain a liquidity buffer to survive a 30-days period of stress (which is being phased in since October 2015), 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. The NSFR will be introduced in the European Union through the regulatory proposals named "CRR II/CRD V" and the entry into force will depend on the related legislative process, currently deemed likely to finish by the end of 2018, for application starting in 2020. With reference to LCR, further details are reported in Liquidity Risk chapter, Liquidity Coverage Ratio section.

- *Adoption of the IFRS 9 accounting standard*, which envisages a new framework for provisioning computation based on expected loss rather than on incurred loss (as in the current accounting standard IAS 39). The quantification of the expected loss is based on forward looking indicators and macroeconomic factors, which will ultimately lead to increased provisions as a first time adoption effect, in the beginning of 2018. However, the European regulatory proposal amending the current CRR/CRDIV regulation envisages a five-year phase-in period, in order to smooth the impact of the IFRS9 implementation on capital.

- *Entry into force of the Bank Recovery and Resolution Directive ("BRRD")* which implies the implementation of a framework where, in case of severe crises, the losses of the banks are to be transferred to the shareholders, holders of subordinated debt, of non-subordinated and non-guaranteed debt, and finally to the depositors for the part exceeding the deposit guarantee (Euro 100.000), known as "*bail-in*". In this context, the same BRRD introduces a requisite for bail-inable liabilities, the *Minimum Requirement for Own Funds and Eligible Liabilities* ("MREL"), in order to ensure that the bank, in case *bail-in* is applied, has enough liabilities to absorb the losses and to guarantee compliance with primary capital requirements applicable for the authorisation of banking activities, as well as to produce sufficient confidence in the bank. At a global regulatory level instead, the Financial Stability Board has finalized an international standard that determines the minimum amount of liabilities and own funds subject to *bail-in* for Systemically Important Banks (like UniCredit): the *Total Loss Absorbency Capacity* ("TLAC"). A proposal by the European Commission was published in November 2016 for the implementation of TLAC in the European Union, taking into account also the above mentioned MREL; the relative EU legislative process will probably last until the end of 2018.

- *Likely eliminations 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 yet, but policy makers and regulators are discussing which approach to adopt to remove this preferential treatment, whether to introduce a concentration limit or to apply a risk weight to these exposures.

# Reporting

Within the Group Credit & Integrated Risks department, the Group Credit Risk Initiatives, Standards and Reporting unit is responsible for defining the Group framework and taxonomies for Risk Reporting as well as to prepare standard reporting on credit risk (e.g.: analyses on credit risk drivers and KPIs: exposure at default – EAD, Expected Loss – EL, migrations, value adjustment and provisions, coverage ratio, cost of risk, etc.).

The reporting provides a managerial tool for supporting decision making process in the management and mitigation of risks.

During 2015 and 2016 several activities have been performed with the aim of enhancing the risk data availability in terms of completeness, reconciliation, granularity and timeliness, in order to optimize the existing reporting and taking into account the evolving market scenario.

These activities will continue to be performed over the next months in line with the Basel Committee on Banking Supervision requirements (Paper BCBS n.239) that provide for the adoption by the Systemically Important Financial Institutions (SIFI) of a set of principles aimed at guaranteeing effective risk data aggregation and reporting processes.

A dedicated project (“PERDAR”) has started in 2014 with the aim of guaranteeing the Group compliance to the above mentioned principles and selected activities have been launched in order to enhance the Group Governance in term of Risk Reporting. Among these activities, it’s worth mentioning the issuance of internal regulation that defines the risk reporting production process as well as the Group risks’ taxonomies.

ERM Report is one of the critical risk reporting prepared by the Group Credit & Integrated Risks department, being a key tool for monitoring the asset quality of the Group portfolio. The purpose of the ERM Report is to provide a comprehensive view on the most significant Group’s risks with the appropriate level of detail, for each risk type (credit, market, interest rate, investment, transaction, liquidity and operational) and for the main geographical areas where these risks are originated and managed (Italy, Germany, Austria, CEE and Poland). ERM Report is evolving in order to fully incorporate the above mentioned Basel Committee principles (BCBS n.239) and to guarantee an even more integrated view of the Group’s risks.

Currently ERM Report includes information about Group exposures to all significant risks, providing a detailed representation in terms of:

- *credit risk* – through analyses at Group and geographical area level about composition and quality of Group’s assets, focusing on the non-performing portfolio and its coverage ratio, on value adjustments and provisions, on selected portfolios (e.g. Leasing, Leveraged & Project Finance, Shipping and Real estate) as well as on large exposures;

- *liquidity risk* through analyses focused on the Group’s ability to meet its liquidity needs in the short, medium and long term, also in stress scenarios (tested through regular stress test simulations), and to raise / create liquidity pool either directly or through access to financial markets;

- *market risk core banking book* - through analyses of the exposures and of the main market risk indicators, as well as controls on the VAR limits set for financial markets and related to the Group’s core investment portfolio;

- *market risk trading & non-core banking book* - through review of data (e.g. VAR, credit spread, interest rates and exchange rates) related to Group’s trading and non-core investment portfolio and stress scenario analyses;

- *operational risk* - through analyses of the operational losses generated by each Geographical Area, including the detail of losses greater than Euro 1 bln as well as of the risk mitigation actions aimed at preventing potential future losses. Regulatory capital value is also assessed on a quarterly basis through both Standard (TSA) and Advanced (AMA) approaches.

# Scope of application

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

**Application of disclosure requirements on a consolidated basis and on a significant subsidiaries**
In according to Article 13 of the Regulation (EU) No 575/2013 ("CRR"), UniCredit Group - as "EU parent institutions"- complies with the obligations laid down in Part Eight on the basis of their consolidated situation.
In the UniCredit Group, significant subsidiaries and those subsidiaries which are of material significance for their local market, that disclose the information specified in Articles 437, 438, 440, 442, 450, 451 and 453, on an individual or sub-consolidated basis, are the following:

*Disclosure on an individual and sub-consolidated basis*
- UniCredit Bulbank AD
- UniCredit Bank Austria AG - Vienna
- UniCredit Bank SA - Bucarest
- UniCredit Bank Hungary Zrt

*Disclosure on an individual basis*
- Finecobank SpA
- Pekao Bank Hipoteczny SA
- CDM Pekao SA
- Pekao Investment Banking SA
- UniCredit Bank AG - Monaco

*Disclosure on sub-consolidated basis*
- Bank Pekao
- UniCredit Banka Slovenija DD
- UniCredit Bank Czech Republic and Slovakia, a.s.
- Zagrebačka Banka DD

Disclosure above is published on the web site of the each Entity according to the deadline defined in the relevant regulations.

**Outline of the differences in the basis of consolidation for accounting and prudential purposes**
In this section of the Disclosure by Institutions the prudential scope of consolidation of the UniCredit group is disclosed.
It should be noted that the scope of consolidation is determined according to the prudential regulations and differs from the scope of the Consolidated Financial Statements, determined under IAS/IFRS.
This situation can create mismatches between the financial data disclosed in this document and that included in the Consolidated Financial Statements.
These different treatments are disclosed in the lists of this section, which have the following characteristics:

- Consolidated entities
    - banking, financial and instrumental companies directly or indirectly controlled by UniCredit S.p.A. to which the line-by-line consolidation method is applied;
    - banking, financial and instrumental companies in which UniCredit S.p.A. holds, directly or indirectly, a 20% stake or more, when they are jointly controlled with other entities and/or according to agreements signed with them; to these subsidiaries the proportional consolidation method is applied;
    - other banking and financial companies in which UniCredit S.p.A. holds, directly or indirectly, a 20% stake or more or anyway subject to significant influence, to which the equity method is applied;
    - companies, other than banking, financial and instrumental companies, directly or indirectly controlled by UniCredit S.p.A., exclusively or jointly, or subject to significant influence, to which the equity method is applied.

- Entities subject to the treatment for Own Funds pursuant to articles 46 and 48 of CRR
    - companies of the financial sector in which a non-significant/significant shareholding is owned, subject to deduction from Own Funds.

This disclosure, which refers to the consolidated data, does not include equity investments that individually are worth less than €1,000:
n. 54 subsidiaries and joint ventures
n. 19 associate companies
n. 204 minority interests included in the available for sale (AFS) financial assets portfolio.

It should be noted that in the Consolidated Financial Statements are listed within investments n.160 entities controlled either directly or through consolidated subsidiaries accounted for at cost (n.148 as at December 31, 2015), of which:
n. 9 belonging to the banking group (see Quantitative disclosure of Table Scope of application);
n. 151 not belonging to the banking group (n.138 as at December 31, 2015).

As of December 2016 n.27 controlled entities are not consolidated and not listed within investments.

In the Annex 2 “Scope of application” to the present document are reported the following information:
- Basis of consolidation for accounting and prudential purposes as at  December 31, 2016
- Names of all subsidiaries not included in the basis of consolidation and aggregate amount of their capital deficiencies with respect to any mandatory capital requirements.

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

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

- With reference to shareholder agreements, it should be noted that:
  - with reference to the consolidated entities UniCredit BPC Mortgages S.r.l. and UniCredit OBG S.r.l. companies set up according to law 130/99 for the execution of securitization transactions or the issuance of covered bonds (Obbligazioni Bancarie Garantite), shareholder agreements are in place that allow the distribution of dividends only when the credit claims of guaranteed lenders and bearer of covered bonds are satisfied;
  - with reference to Card Complete Service Bank AG, shareholder agreements establish that the amount of dividends that the company can distribute is based not only on the percentage of shares held but also on the amount of commissions paid to the shareholders during the year.

- With reference to regulatory requirements, it should be noted, that UniCredit group is a banking group that is subject to the rules provided by Directive 2013/36/EU on “access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms” (CRD IV) and by Regulation (EU) No 575/2013 on “prudential requirements for credit institutions and investment firms” (CRR) and that controls financial institutions subject to the same regulation.
  The ability of the controlled banks to distribute capital or dividends may be restricted to the fulfilment of these requirements in terms of both capital ratios and “Maximum Distributable Amount” as well as further recommendation by competent authorities provided time by time (e.g. Recommendation of the European Central Bank on dividend distribution policy - ECB/2015/49).
  The capital ratios requested for UniCredit S.p.A., with particular reference to the consolidated ones, and agreed upon with competent Regulators (ECB), also as a result of the Supervisory Review and Evaluation Process (SREP), might be higher than the minimum requirements set by the mentioned regulations. For the disclosure on UniCredit Group Capital Requirements and on the outcome of mentioned SREP, please refer to “Own Fund” chapter.
  With reference to subsidiaries, we note that in some jurisdictions and for some foreign entities of the Group, commitments to maintain local supervisory capital higher than regulatory thresholds may exist also as a result of SREP performed at local level.
- With reference to free flow among Entities based in different countries, available liquidity at Group level bears some restrictions related to the Large Exposure prudential limits, according to both CRR definition and decisions adopted by Member States (with reference to cross border intragroup exposures): consequently, a portion of available liquidity may suffer impediments that hinder its transfer among Group Entities. Further details are reported in the Chapter “Liquidity Risk”.
- With reference to contractual agreements, UniCredit group has also issued financial liabilities whose callability, redemption, repurchase or repayment is subordinated to the consent by the authorization of competent authority. The value of these instruments as of December 31, 2016 is equal to 17,084,490 thousand.
- As a result of the financial crisis, with specific focus on the sovereign sector, some Regulatory Authorities have asked – starting from previous periods – that Group companies (UniCredit S.p.A. included) reduce their credit exposure to other Group companies operating in their jurisdictions. Currently there were no critical impediments from this point of view.

UniCredit Bank Austria AG has issued to the Ukrainian National Bank a comfort letter to guarantee that Ukrsotsbank will continue as a going concern: the engagements arising from this guarantee were eliminated following the fine-tuning of the disposal of Ukrosotsbank occurred on October 31, 2016. On this point please see the paragraph dedicated “Other information” in the Consolidated Report on Operations as at December 31, 2016.

# Own Funds

Starting from January 1, 2014, the calculation of capital requirements keeps into account the regulatory framework known as "Basel 3", adopted as a result of the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – "CRR") 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 4 - "CRD 4"), 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 1Capital (AT1);
- Tier 2 Capital (T2);
- the sum of T1 and T2 generates the Total Own Funds (Total Capital).

***Capital requirements and capital buffers***

- The minimum capital requirements for the UniCredit group as of December 31, 2016 are equal to the following capital ratios (which also includes the capital conservation buffer set at 2.5% to be fulfilled through CET1, required by Bank of Italy starting January 1, 2014):
  - CET1: 7%;
  - Tier 1 Capital: 8.5%;
  - Total Capital: 10.5%.
- Following the results of the Supervisory Review and Evaluation Process (SREP) performed by European Central Bank (ECB), UniCredit is required to meet on a consolidated basis a CET1 ratio transitional of 9.75% starting from January 1, 2016.
- The G-SIB buffer required by the Financial Stability Board (FSB) to be applied on top of SREP ratio is equal - for UniCredit - to 0.25% on a phase-in basis from January 1, 2016; it will be increased by 0.25% per annum thereafter until reaching 1% on fully loaded basis in 2019.
- The countercyclical capital buffer, to be considered in addition to the SREP requirement, applies starting from January 1, 2016. According to the statement reported by the CRDIV Article 160 (paragraphs from 1 to 4) in coherence with the transitional regime granted by Bank of Italy, for the period from January 1, 2016 until December 31, 2016, institution-specific countercyclical capital buffer shall consist of Common Equity Tier 1 capital capped to 0.625 % of the total of the risk-weighted exposure amounts of the institution.
- With reference to December 31, 2016:
  - countercyclical capital rates have generally been set at 0%, except for the following countries (2): Sweden (1.50%), Norway (1.50%) and Hong Kong (0.625%);
  - at the consolidated level, the specific countercyclical rate of UniCredit amounts to 0.005%.
- On January 22, 2016 Bank of Italy has identified UniCredit Group as an "Other Systemically Important Institution" (O-SII); Bank of Italy has also decided to apply to the Group an additional capital buffer (O-SII buffer) equal to 0% for 2016[(].

With reference to the compliance with transitional capital ratios on a consolidated basis as of December 31, 2016, please refer to the "Capital and Value Management" section in the Consolidated Report on Operations in the Consolidated Reports and Accounts as of December 31, 2016.

***Transitional consolidated Own Funds***

Regarding the amount of transitional adjustments as of December 31, 2016, it is worth mentioning that such amounts - compared to December 31, 2015 - also reflect the gradual reduction of the transitional adjustment requested for 2016, mainly:

- 40% for the items to be deducted from Common Equity Tier 1 (60% for 2015);
- 40% for unrealized gains on AFS securities other than those issued by EU countries' Central Administrations (60% for 2015); moreover, according to EU Regulation 2016/445, as confirmed by Bank of Italy communication issued on January 23, 2017, starting from October 1, 2016 (hence, with reference to December 31, 2016 as first applicable regulatory reporting date), a transitional adjustment equal to 40% is applied to unrealized gains on AFS securities issued by EU countries' Central Administrations.Their regulatory treatment (a fully neutralization from Own Fund was previously applied) is now aligned to the other AFS securities.
- 60% for amount of actuarial losses calculated according to CRR Article 473 (80% for 2015).

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[(2)] With reference to the exposures towards Italian counterparties as of December 31, 2016 - Bank of Italy has set the rate equal to 0%.

***Stake in Bank of Italy's capital***
With reference to the regulatory treatment of UniCredit's stake in Bank of Italy, the carrying value as of December 31, 2016, equal to €1,241 million, is risk weighted at 100% (according to the CRR Article 133 "Equity exposure"); the revaluation recognized on P&L as of December 31, 2013 is not filtered out.

***Atlante Funds***
The regulatory treatment of the quotes held by UniCredit in the Atlante Fund is based on the application of the look-through method to the underlying investments, specifically the stakes indirectly held in Banca Popolare di Vicenza and Veneto Banca are classified as non-significant holdings in financial sector entity, according to the provisions set by EU Regulation 2015/923.
With reference to the commitment held by UniCredit towards Atlante Fund and Atlante Fund II, the regulatory treatment foresees - as of December 31, 2016 - the application of a Credit Conversion Factor equal to 100% ("*full risk*" according to the Annex I of CRR).

***Deductions of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences***
With reference to December 31, 2016, UniCredit exceeds the thresholds related to (i) not significant investments (NSI) in financial sector entities, (ii) significant investments (SI) in CET1 instruments issued by financial sector entities and (iii) deferred tax assets that rely on future profitability and arise from temporary differences.
In this regard, the deductions applied to transitional Own Funds are calculated after taking into account the adjustments related to the application of transitional provisions concerning the treatment of prudential filters and deductions; specifically:

- the "relevant common equity tier 1 items" according to CRR article 470 are calculated after considering the transitional adjustments related to prudential filters, minority interests and deductions;
- the amount of deferred tax assets that rely on future profitability and arise from temporary differences is calculated after excluding the quota of deferred tax assets / tax liabilities related to "accumulated others comprehensive income" subjects to transitional adjustments; hence, after excluding from the amount subject to deduction the following percentage of deferred tax assets / tax liabilities: (i) 40% related to AFS portfolio; (ii) 60% related to actuarial losses on defined benefit plans.

The amounts of the mentioned deductions are described in detail within the table denominated "Separate disclosure of deductions (Art. 437.d of CRR)", included in the section dedicated to the Own Funds.

***Financial conglomerate***
With reference to December 31, 2016 reporting date, UniCredit is no more classified as financial conglomerate; such indication was published by Consob (Italian Market Authority) on September 9, 2016.

***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 (e.g. ordinary shares); (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 interest for the computable amount recognized by CRR.
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in its equity under the applicable accounting framework that results from securitized assets; (II) filter related to the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value; (III) filter related to gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution; (IV) filter related to all fair value gains and losses arising from the institution's own credit risk related to derivative liabilities; (V) filter related to additional value adjustments (prudent valuation).
- Deductions from Common Equity Tier 1 items: (I) intangible assets; (II) deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences; (III) negative amounts resulting from the calculation of expected loss amounts when compared with credit risk adjustments (shortfall) for those positions evaluated according to IRB methods; (IV) defined benefit pension fund assets on the balance sheet of the institution; (V) direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation; (VI exposures deducted from CET1 as an alternative to the application of 1,250% risk weight; (VII) the applicable amount of direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation); (VIII) deferred tax assets (DTA) that rely on future profitability and arise from temporary differences, and the applicable amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation).

As of December 31, 2016 Common Equity Tier 1 includes ordinary shares issued by UniCredit S.p.A, equal to €20,217 million. The item includes neither the amount related to Cashes [3] (€609 million) reclassified within Additional Tier 1 Capital, nor Saving Shares and share premium referred to Saving Shares reclassified within Tier 2 Capital (€17 million).

***2. Additional Tier 1 Capital – AT1***

The main Additional Tier 1 Capital elements are the following: (I) capital instruments, where the conditions laid down in CRR Article 52(1) 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 CRR (grandfathering).
The ordinary shares underlying to the “Cashes” transaction, equal to €609 million, are included in Additional Tier 1 Capital.

Refer to Annex 1 for the capital instruments main features templates.

***3. Tier 2 Capital – T2***

The main Tier 2 Capital elements are the following: (I) capital instruments and subordinated loans where the conditions laid down in CRR 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 CRR (grandfathering).
Consolidated Own Funds as of December 31, 2016 do not include Tier 2 instruments having a contractual amortization plan in line with regulatory rules stated by CRR Article 63; while they includes - according to CRR Article 484(5) among grandfathered instruments - the amount of such instruments issued before December 31, 2011 and subject to the grandfathering provisions.
Saving shares and related share premium are included in Tier 2 Capital for a total amount of €17 million.

Refer to Annex 1 for the capital instruments main features templates.

[3] The CASHES are equity-linked instruments, issued for a counter value of €2,983,000 thousand in February 2009 by The Bank of New York (Luxembourg) SA, with a maturity on December 15, 2050 and convertible, under certain conditions, into n.96,756,406 ordinary shares of UniCredit S.p.A. (reduced from n.967,564,061 after the reverse split occurred on December 23, 2011) underwritten by Mediobanca in the context of the capital increase approved by the UniCredit Extraordinary Shareholders' Meeting on November 14, 2008. Therefore, since such shares are legitimately issued, they are fully loss absorbing as any other ordinary share.

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

(€ '000)

| | | Data referred to December 31, 2016 | | Data referred to December 31, 2015 | |
|---|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** |
| 1 | Capital instruments and the related share premium accounts (A) | 34,584,702 | | 35,551,968 | |
| | *of which: Ordinary shares* | *34,584,702* | | *35,551,968* | |
| 2 | Retained earnings (B) | 12,149,020 | | 8,832,404 | |
| 3 | Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) (C) | 1,365,457 | | 1,445,584 | |
| 5 | Minority interests (amount allowed in consolidated CET1) (D) | 2,392,084 | 779,537 | 2,306,733 | 978,963 |
| 5a | Independently reviewed interim profits net of any fore-seeable charge or dividend | - | | 988,058 | |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustment** | **50,491,263** | | **49,124,747** | |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | | |
| 7 | Additional value adjustments | (169,999) | - | (200,874) | - |
| 8 | Intangible assets (net of related tax liability) | (4,994,563) | - | (5,776,202) | - |
| 9 | Transitional adjustment related to IAS 19 (E) | 1,111,529 | - | 1,463,346 | - |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) | (216,196) | 138,050 | (123,007) | 184,511 |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | (374,123) | - | (492,820) | - |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | (1,920) | 1,280 | - | - |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | (232,392) | - | (214,212) | - |
| 15 | Defined - benefit pension fund assets | (36,768) | - | (43,887) | - |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments | (6,380) | - | (30,386) | - |
| 18 | Direct and indirect 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) | (84,642) | 56,428 | - | - |
| 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) | (9,294) | 145,064 | - | - |
| 20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | (223,473) | - | (172,752) | - |
| *20c* | *of which: Securitisation positions* | *(223,473)* | - | *(172,751)* | - |
| *20d* | *of which: Free deliveries* | - | - | *(1)* | - |
| 22 | Amount exceeding the 15% threshold | (760,768) | 911,408 | - | - |
| *23* | *of which: Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities* | *401,999* | *481,598* | - | - |
| *25* | *of which: Deferred tax assets arising from temporary differences* | *358,770* | *429,810* | - | - |
| 25a | Losses for the current financial year (F) | (11,790,094) | - | - | - |
| 26 | Regulatory adjustments applied to Common Equity Tier 1 in respect of amount subject to pre-CRR treatment (G) | (466,836) | | (362,594) | |
| 26a | Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468 (H) | (698,142) | | (1,796,201) | |
| | *of which: Unrealised gains on debt instruments issued by entities different from European Union central administrations* | *(126,635)* | | *(187,127)* | |
| | *of which: Unrealised gains on debt instruments issued by European Union central administrations* | *(480,261)* | | *(1,416,354)* | |
| | *of which: Unrealised gains on capital instruments* | *(91,246)* | | *(192,720)* | |
| **28** | **Total regulatory adjustment to Common Equity Tier 1 (CET1)** | **(18,954,061)** | | **(7,749,589)** | |
| **29** | **Common Equity Tier 1 (CET1) capital** | **31,537,202** | | **41,375,158** | |

(€ '000)

| | | Data referred to December 31, 2016 | | Data referred to December 31, 2015 | |
|---|---|---|---|---|---|
| **Additional Tier 1 (AT1) capital: Instruments** | | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** |
| 30 | Capital instruments and the related share premium accounts (I) | 2,383,463 | | 1,888,463 | |
| 33 | Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 (J) | 1,348,890 | | 1,713,073 | |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **3,732,353** | | **3,601,536** | |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments | (26,793) | - | (24,496) | - |
| 39 | Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (N) | (31,994) | 21,330 | - | - |
| 40 | Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant in those entities (amount above the 10% threshold net of eligible short positions) | (27,004) | 18,002 | (18,633) | 27,949 |
| 41 | Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) | (178,914) | | - | |
| 41a | Residual amounts deducted from AT1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 (O) | (159,255) | | - | |
| | *of which: Residual amount related to the excess of expected losses vs loan loss provisions for IRB positions* | *(640)* | | - | |
| | *of which: Residual amount related to direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities* | *(21,517)* | | - | |
| | *of which: Residual amount related to direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities* | *(3,098)* | | - | |
| | *of which: Residual amount related to amount exceeding the 15% threshold - direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities* | *(134,000)* | | - | |
| 41b | Residual amounts deducted from AT1 capital with regard to deduction from Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013 (P) | (19,659) | | (13,501) | |
| | *of which: Residual amount related to additional tier 1 instruments issued by financial sector entities, held directly for not significant investments* | *(10,658)* | | - | |
| | *of which: Residual amount related to additional tier 1 instruments issued by financial sector entities, held directly for significant investments* | *(9,001)* | | *(13,501)* | |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **(264,705)** | | **(56,630)** | |
| **44** | **Additional Tier 1 (AT1) capital** | **3,467,648** | | **3,544,906** | |
| **45** | **Tier 1 capital (T1= CET1+AT1)** | **35,004,850** | | **44,920,064** | |
| **Tier 2 (T2) capital: instruments and provisions** | | | | | |
| 46 | Capital instruments and the related share premium accounts (K) | 8,204,682 | | 8,322,296 | |
| 47 | Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2 | 1,073,554 | | 1,789,267 | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties (L) | 876,271 | 372,935 | 1,143,526 | 619,539 |
| 50 | Credit risk adjustments (M) | 904,784 | | 18,830 | |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **11,059,291** | | **11,273,919** | |

(€ '000)

| | Tier 2 (T2) capital: regulatory adjustments | Data referred to December 31, 2016 (A) - Amount at disclosure date | Data referred to December 31, 2016 (C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013 | Data referred to December 31, 2015 (A) - Amount at disclosure date | Data referred to December 31, 2015 (C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013 |
|---|---|---|---|---|---|
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (N) | (132,778) | - | (35,333) | - |
| 54 | Direct and indirect 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) | (36,908) | - | - | - |
| 55 | Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) | (674,714) | - | (756,393) | - |
| 56 | Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) | (69,974) | | - | |
| 56a | Residual amounts deducted from Tier 2 capital with regard to deduction form Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | (159,255) | | - | |
| | *of which: Residual amount related to the excess of expected losses vs loan loss provisions for IRB positions* | *(640)* | | - | |
| | *of which: Residual amount related to direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities* | *(21,517)* | | - | |
| | *of which: Residual amount related to direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities* | *(3,098)* | | - | |
| | *of which: Residual amount related to amount exceeding the 15% threshold - direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities* | *(134,000)* | | - | |
| 56b | Residual amounts deducted from T2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013 | (19,659) | | (13,501) | |
| | *of which: Residual amount related to additional tier 1 instruments issued by financial sector entities, held directly for not significant investments* | *(10,658)* | | - | |
| | *of which: Residual amount related to additional tier 1 instruments issued by financial sector entities, held directly for significant investments* | *(9,001)* | | *(13,501)* | |
| 56c | Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR | 108,940 | | 189,924 | |
| | *of which: Unrealized gain on AFS securities subject to national additional filter* | *108,940* | | *189,924* | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **(914,374)** | | **(615,303)** | |
| **58** | **Tier 2 (T2) capital** | **10,144,917** | | **10,658,616** | |
| **59** | **Total capital (TC=T1+T2)** | **45,149,767** | | **55,578,680** | |
| 59a | Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) (O) | 13,407 | | 1,421 | |
| | Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts | 13,393 | | - | |
| | *of which: Residual amount related to indirect or 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* | *13,393* | | - | |
| | Of which: … items not deducted from AT1 items (Regulation (EU) No575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, | 14 | | - | |
| | *of which: Residual amount related to additional tier 1 instruments issued by financial sector entities, held indirectly or synthetically for not significant investments* | *14* | | - | |
| **60** | **Total risk weighted assets** | **387,135,931** | | **390,598,859** | |

(€ '000)

| | | Data referred to December 31, 2016 | | Data referred to December 31, 2015 | |
|---|---|---|---|---|---|
| **Capital ratios and buffers** | | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** | **(A) - Amount at disclosure date** | **(C) - Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013** |
| **61** | **Common Equity Tier 1 (as a percentage of risk exposure amount)** | **8.15%** | | **10.59%** | |
| **62** | **Tier 1 (as a percentage of risk exposure amount)** | **9.04%** | | **11.50%** | |
| **63** | **Total capital (as a percentage of risk exposure amount)** | **11.66%** | | **14.23%** | |
| 64 | Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) | 7.255% | | 7.00% | |
| 65 | *of which: Capital conservation buffer requirement* | 2.50% | | 2.50% | |
| 66 | *of which: Countercyclical buffer requirement* | 0.005% | | NA | |
| 67a | *of which: Global Systemically Important institution (G-SII) or Other Sistemically Important Institution (O-SII) buffer* | 0.25% | | NA | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (P) | 0.29% | | 3.00% | |
| **Capital ratios and buffers** | | | | | |
| 72 | Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 3,105,965 | | 3,656,471 | |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 3,230,726 | | 3,135,326 | |
| 75 | Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | 2,883,310 | | 2,725,664 | |
| **Applicable caps on the inclusion of provisions in Tier 2** | | | | | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the gap) | 6,649,679 | | 18,830 | |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal rating-based approach | 904,784 | | 890,261 | |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)** | | | | | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | 1,550,507 | | 1,842,793 | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redmptions and maturities) | 200,998 | | 202,472 | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | 3,799,015 | | 4,432,184 | |

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

## Notes to the table “Transitional Own Funds disclosure template (CRR Article 492, paragraph 3 and 4)”:

Amounts included in the notes below refer to December 31, 2016 if not otherwise specified.

A.
This item does not include:
- €609 million related to the Cashes[4], reclassified under item “**33. Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1**”;
- €17 million of saving shares and related share premium reserves, reclassified under item “**46. Capital instruments and the related share premium accounts**”.

The negative change compared to December 31, 2015 mainly refers to the:
- decrease of share premium reserves (for €1,592 million) for covering UniCredit S.p.A.’s loss of the year 2015 and to increase the legal reserves, as approved by the Extraordinary Shareholders’ Meeting of April 14, 2016;
- capital increase (for €548 million) related to the scrip dividend scheme as approved by the Extraordinary Shareholders’ Meeting held on April 14, 2016, under which newly-issued ordinary shares of the Company were granted to the shareholders entitled to receive the 2015 dividend not requesting a cash payment;
- capital increase resulting from the issue of shares connected with the medium-term incentive plan for the Group’s personnel (for €41 million).

B.
The amount as of December 31, 2016 reflects the following main effects compared to December 31, 2015:
- increase regarding to year 2015 profit (€1,694 million) net of the amount of dividends (€706 million, of which €158 million paid by cash);
- increase of reserves resulting from the use of the share premium reserves (ref. to note A);
- increase of reserves regarding the positive effects related to the disposal of stakes held in Fineco S.p.A and Bank Pekao.

C.
The change compared to December 31, 2015 (negative for €80 million) mainly reflects (i) the negative effect of net actuarial losses (€422 million) and revaluation reserves related to assets classified in the available for sale – AFS portfolio (€304 million) and (ii) positive effect regarding reserve on exchange differences (€782 million).

D.
The change compared to December 31, 2015 (positive for €85 million) mainly reflects the increase in Fineco S.p.A and Bank Pekao minorities as resulting from the disposal of a quota of these entities, partially offset by the gradual reduction of the computable amount in Common Equity Tier 1 during the transitional period (40% for 2016, 60% until December 31, 2015).

E.
As of December 31, 2016 the revaluation reserves of actuarial net losses – negative for €2,678 million and reported in item “**3. Accumulated other comprehensive income and other reserves**” – is subject to a positive transitional adjustment for €1,112 million reported in the present item. The change compared to December 31, 2015 also reflects, in addition to the negative effect of net actuarial losses and the related increase of the basic amount subject to transitional adjustment, the gradual reduction of the transitional adjustment allowed for 2016 (equal to 60% of the amount calculated according to CRR article 473, instead of 80% applied in 2015).

F.
The loss of the period 2016 (equal to €11,790 million) is entirely deducted from Common Equity Tier 1 according to CRR art. 36(1)(a).

G.
The amount includes the following negative national filters: I) €438 million related to the filter for multiple goodwill redemption (“affrancamenti multipli”)[5]; II) €28 million related to the filter for gain on sale of properties mainly used in operations (“cessione in blocco”).

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[4] The Cashes are equity-linked instruments, issued for a counter value of €2,983,000,000 in February 2009 by The Bank of New York (Luxembourg) SA, with a maturity on December 15, 2050 and convertible, under certain conditions, into n° 96,756,406 ordinary shares of UniCredit S.p.A. (reduced from n° 967,564,061 after the reverse split occurred on December 23, 2011) underwritten by Mediobanca in the context of the capital increase approved by the UniCredit Extraordinary Shareholders' Meeting on November 14, 2008. Therefore, since such shares are legitimately issued, they are fully loss absorbing as any other ordinary share.

[5] The amount of the filter refers to 5/5 of the amount subject to neutralization calculated according to Bank of Italy communication issued on May 9, 2013; the calculation takes into account the provisions of the Resolution n.55/E of the Italian Revenue Agency (Agenzia delle Entrate) issued on May 29, 2015 concerning "Discipline of the tax credit resulting from the processing of deferred tax assets recorded in the financial statements referred to in Article 2, paragraphs 55 to 58 of Decree-Law 29 December 2010, n. 225" ("Disciplina del credito d'imposta derivante dalla trasformazione di attività per imposte anticipate iscritte in bilancio di cui all'articolo 2, commi da 55 a 58, del decreto legge 29 dicembre 2010, n.225").

H.
The change compared to December 31, 2015 (€1,098 million) mainly reflects the following effects:

- positive effect (€936 million) resulting from the change in the treatment applied to unrealized gains on AFS securities issued by EU Central Administrations; according to EU Regulation 2016/445, as clarified by Bank of Italy communication issued on January 23, 2017, starting from October 1, 2016 (hence, with December 31, 2016 as first applicable regulatory reporting date), is applied a transitional adjustment equal to 40% (€480 million) differently from their total exclusion from Own Funds applied until September 30, 2016;
- positive effect (€162 million) referred to i) debt instruments other than those issued by EU Central Administrations and ii) capital instruments classified in the portfolio "Available for Sale – AFS" mainly related to the reduction in the percentage for excluding unrealized gains during the transitional period (40% for 2016; 60% until December 31, 2015).

I.
On December 14, 2016, with value date December 21, 2016, UniCredit S.p.A. issued an Additional Tier 1 instrument, denominated in EUR for a total of €500 million, whose terms in line with "CRD IV" Regulation in effect since January 1, 2014.

J.
The amount includes, in addition to cashes for €609 million (ref. to note A), Additional Tier 1 instruments subject to grandfathering for €740 million.
The decrease compared to December 31, 2015 (for 364 million) mainly includes the effects of the tender offer on Additional Tier1 (ISIN codes XS0527624059, XS0372556299, XS0470937243).

K.
The change compared to December 31, 2015 (negative for €117 million) mainly reflects the following elements: I) issuing of the Tier 2 instrument (ISIN XS1426039696) by UniCredit S.p.A. on June 3, 2016 denominated in EUR for a total of 750 million; II) decrease related to the tender offer on the instrument with ISIN code XS0618847775; III) regulatory amortization effects.

L.
The decrease compared to December 31, 2015 is mainly related to the gradual reduction of the computable amount of instruments issued by subsidiaries during the transitional period (eligible percentage for 2016 equal to 40%).

M.
On December 31, 2016, the excess of credit risk adjustments compared to expected losses on positions under IRB approach is included in Tier 2 Capital for €905 million, capped to 0,6 % of risk-weighted exposures. The difference compared to December 31, 2015 (positive for €886 million) mainly reflects the amounts of "FINO" and "PORTO" operations (please refer to Part E, Section 1 "Credit risk", "A. Asset quality" paragraph of the Notes to the Consolidated Accounts as of December 31, 2016).

N.
As of December 31, 2016 the amount includes the effects of the tender offer on Tier 2 instruments (https://www.unicreditgroup.eu/it/press-media/press-releases-price-sensitive/2016/unicredit--offerta-pubblica-di-acquisto-su-strumenti-di-capitale.html).

O.
The amount reported is referred to the residual exposure related to indirect and synthetic holdings in CET1 instruments and AT1 instruments (entirely equal to €13 million).

P.
The amount (reported in percentage of risk weighted assets) is calculated by subtracting from the Common Equity Tier 1 capital (equal to €31,537 million) the following items: I) capital requirements related to the Common Equity Tier 1 capital (€28,086 million); II) capital requirements related to the Additional Tier 1 capital for the amount covered by means of Common Equity Tier 1 capital elements (€2,339 million).
The change compared to December 31, 2015 mainly depends to the decrease of Common Equity Tier 1 (€9,838 million) partially offset by the decrease of the risk weighted assets (€3,463), and the application – starting from January 1, 2016 – of the following additional capital buffers: I) countercyclical capital buffer specific of the group (equal to 0.005% as of June 30, 2016); II) buffer for global systemic institutions – GSIII buffer (equal to 0.25% for 2016).

## Separate disclosure of deductions (CRR Article 437.d)

(€'000)

| # | Transitional thresholds for deduction of deferred tax assets and investments in financial sector entities | Amounts | Notes |
|---|---|---|---|
| A. | 10% CET1 threshold for not significant investments in financial sector entities | 3,105,965 | A |
| B. | 10% CET1 threshold for significant investment in financial sector entities and deferred tax assets (DTA) that rely on future profitability and arise from temporary differences | 3,230,726 | |
| C. | 15% CET1 threshold for significant investment and DTA not deducted from the threshold under point B | 4,846,090 | C |

| Ref. CRR Article | Nature of deductions | Total amount subject to deduction | Amount deducted under transitional regime (ref. column A of transitional Own Funds disclosure template) | Transitional adjustments (ref. column C of transitional Own Funds disclosure template) | Ref. to the items of the transitional Own Funds disclosure template | Residual amount (deducted 50% from AT1 and 50% from T2) | Ref. to the items of the transitional Own Funds disclosure template, respectively for AT1 and T2 | Amount excluded from deductions | Notes |
|---|---|---|---|---|---|---|---|---|---|
| 36.a | Losses for the current financial year | 11,790,094 | 11,790,094 | - | 25a | - | - | - | |
| 36.b | Intangible assets | 4,994,563 | 4,994,563 | - | 8 | - | - | - | |
| 36.c | Deferred tax assets that rely on future profitability, of/w: | 3,243,637 | 574,966 | 567,860 | | - | - | 2,285,361 | |
| | *not arising from temporary differences* | *360,327* | *216,196* | *138,050* | 10 | - | - | *0* | |
| | *arising from temporary differences* | *2,883,310* | *358,770* | *429,810* | 25 | - | - | *2,285,361* | C |
| 36.d | IRB Shortfall | 3,200 | 1,920 | 1,280 | 12 | 1,280 | 41a, 56a | - | |
| 36.e | Defined benefit pension fund assets | 36,768 | 36,768 | - | 15 | - | - | - | |
| 36.f | Own CET1 instruments | 6,380 | 6,380 | - | 16 | - | - | - | |
| 36.g | Reciprocal cross holding of CET1 instruments | - | - | - | - | - | - | - | |
| 36.h | Not significant investments in CET1 instruments issued by FSE | 2,035,379 | 84,642 | 56,428 | 18 | 43,034 | 41a, 56a | 1,894,309 | A |
| 36.i | Significant investments in CET1 instruments issued by FSE | 3,246,216 | 411,293 | 626,662 | 19, 23 | 274,196 | 41a, 56a | 2,560,729 | B, C |
| 36.j | AT1 deficit | - | - | - | - | - | - | - | |
| 36.k. | Deductions of exposures qualifying for risk weight 1,250% | 223,473 | 223,473 | - | 20a | - | - | - | |
| 36.l | Foreseeable tax charges not reflected into CET1 | - | - | - | - | - | - | - | |
| 56.a | Own AT1 instruments | 26,793 | 26,793 | - | 37 | - | - | - | |
| 56.b | Reciprocal cross holding of AT1 instruments | - | - | - | - | - | - | - | |
| 56.c | Not significant investments in AT1 instruments issued by FSE | 769,367 | 31,994 | 21,330 | 39 | 21,316 | 41b, 56b | 716,043 | A |
| 56.d | Significant investments in AT1 instruments issued by FSE | 45,006 | 27,004 | 18,002 | 40 | 18,002 | 41b, 56b | - | |
| 56.e | T2 deficit | - | - | - | - | - | - | - | |
| 56.f | Foreseeable tax charges not reflected into AT1 | - | - | - | - | - | - | - | |
| 66.a | Own T2 instruments | 132,778 | 132,778 | - | 52 | - | - | - | |
| 66.b | Reciprocal cross holding of T2 instruments | - | - | - | - | - | - | - | |
| 66.c | Not significant investments in T2 instruments issued by FSE | 532,521 | 36,908 | - | 54 | - | - | 495,613 | A |
| 56.d | Significant investments in T2 instruments issued by FSE | 674,714 | 674,714 | - | 55 | - | - | - | |

### Notes related to Template "Separate disclosure of deductions (CRR Article 437.d)":

A.
The amount of not significant investments in financial sector entities is deducted from Own Funds for the amount exceeding the 10% CET1 threshold (calculated according to CRR article 46) according to CRR articles 36.h, 56.c, 66.c; specifically, the amount related to:

- Common Equity Tier 1 instruments (€85 million) is subject to a positive transitional adjustment of €56 million (equal to 40% of the amount deducted under the fully loaded regime);
- Additional Tier 1 instruments (€32 million) is subject to a positive transitional adjustment of €21 million (equal to 40% of the amount deducted under the fully loaded regime);
- Tier 2 instruments (€37 million) is not subject to transitional adjustments.

The amount of Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments not deducted from Own Funds (for a total amount of €3,106 million) coincides with the amount of the 10% CET1 threshold related to not significant investments in financial sector entities.

B.
The amount of significant investments in Common Equity Tier 1 instruments deducted according to CRR article 36.i includes:

- €9 million equal to 40% of the amount of Common Equity Tier 1 instruments issued by financial sector entities in which a significant investment is held exceeding the 10% CET1 threshold calculated according to CRR article 470;
- €402 million equal to 40% of the aggregated amount of (i) significant investments and (ii) deferred tax assets that rely on future profitability and arise from temporary differences exceeding the 15% CET1 threshold calculated according to CRR article 470, for the quota related to significant investments.

C.
The amount of significant investments in Common Equity Tier 1 instruments and deferred tax assets that rely on future profitability and arise from temporary differences not deducted from CET1 (for a total amount of €4,846 million) coincides with the amount of the 15% CET1 threshold.

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

(€ '000)

| OWN FUNDS (*) | 01.01.2016-30.06.2016 | 01.01.2015-30.06.2015 |
|---|---|---|
| **Common Equity Tier 1 Capital** | | |
| **Opening Amount** | **41,375,158** | **41,997,688** |
| **Instruments and reserves (A)** | | |
| 1. Capital (B) | **607,504** | **339,086** |
| 2. Reserves and share premium reserves (C) | **736,026** | **(815,228)** |
| 3. Accumulated other comprehensive income (D) | **(62,365)** | **155,945** |
| 4. Net profit of the period (net of foreseeable dividends) | **-** | **988,058** |
| 5. Eligible minority interests (E) | **85,351** | **(333,832)** |
| **Regulatory adjustments** | | |
| 6. Prudential filters | **27,150** | **306,883** |
| 7. Own CET1 instruments | **24,006** | **(10,244)** |
| 8. Goodwill and other intangible assets | **781,639** | **(180,850)** |
| 9. Loss for the current financial year (F) | **(11,790,094)** | **-** |
| 10. Deferred tax assets that rely on future profitability and not arise from temporary differences | **(46,727)** | **(52,373)** |
| 11. Deferred tax assets that rely on future profitability and arise from temporary differences (G) | **(358,770)** | **-** |
| 12. Significant and not significant investments in CET1 instruments issued by financial sector entities (G) | **(495,935)** | **-** |
| 13. Shortfall on IRB positions (H) | **(3,200)** | **885,477** |
| 14. Deductions for securitizations | **(50,722)** | **(17,285)** |
| 15. Other deductions | **7,120** | **(529)** |
| 16. Transitional adjustments, of/w: | **701,061** | **(1,887,638)** |
| 16.1 Adjustment related to IAS 19 (I) | (351,817) | (1,248,199) |
| 16.2 Adjustment related to unrealized gains on AFS securities (J) | 1,098,059 | 88,548 |
| 16.3 Adjustment related to deferred tax assets that rely on future profitability and not arise from temporary differences | (46,461) | (19,605) |
| 16.4 Adjustment related to shortfall on IRB positions | 1,280 | (708,382) |
| **Closing Amount** | **31,537,202** | **41,375,158** |
| **Additional Tier 1 Capital** | | |
| **Opening Amount** | **3,544,906** | **3,501,611** |
| **Instruments** | | |
| 17. Eligible instruments, included instruments subject to grandfathering (K) | **130,817** | **(134,042)** |
| 18. Additional Tier 1 instruments issued by subsidiaries (L) | **-** | **(171,313)** |
| **Regulatory adjustments** | | |
| 19. Own AT1 instruments | **(2,297)** | **(996)** |
| 20. Not significant investments in AT1 instruments issued by financial sector entities (M) | **(31,994)** | **-** |
| 21. Significant investments in AT1 instruments issued by financial sector entities | **1,576** | **1,356** |
| 22. Transitional adjustments, of/w: | **(175,360)** | **348,290** |
| 22.1 Adjustment related to significant investments in AT1 instruments issued by financial sector entities | (5,447) | (5,901) |
| 22.2 Residual amount related to shortfall on IRB positions | (640) | 354,191 |
| 22.3 Residual amount related to significant and not significant investments in CET1 instruments issued by financial sector entities | (158,615) | - |
| 22.4 Residual amount related to not significant investments in AT1 instruments issued by financial sector entities | (10,658) | - |
| **Closing Amount** | **3,467,648** | **3,544,906** |
| **Tier 1 capital** | **35,004,850** | **44,920,064** |
| **Tier 2 capital** | | |
| **Opening Amount** | **10,658,616** | **9,357,509** |
| **Instruments** | | |
| 23. Eligible instruments, included instruments subject to grandfathering (N) | **(833,327)** | **934,541** |
| 24. Tier 2 instruments issued by subsidiaries | **(267,255)** | **(228,024)** |
| 25. Excess for IRB positions (O) | **885,954** | **18,830** |
| **Regulatory adjustments** | | |
| 26. Own T2 instruments (P) | **(97,445)** | **28,076** |
| 27. Not significant investments in T2 instruments issued by financial sector entities (Q) | **(36,908)** | **-** |
| 28. Significant investments in T2 instruments issued by financial sector entities | **81,679** | **238,126** |
| 29. Transitional adjustments, of/w: | **(246,397)** | **309,558** |
| 29.1 Residual amount related to shortfall on IRB positions | (640) | 354,191 |
| 29.2 Residual amount related to significant investments in AT1 instruments issued by financial sector entities | 4,500 | 4,500 |
| 29.3 Residual amount related to significant and not significant investments in CET1 instruments issued by financial sector entities | (158,615) | - |
| 29.4 Residual amount related to not significant investments in AT1 instruments issued by financial sector entities | (10,658) | - |
| 29.5 Adjustment related to unrealized gains related to AFS securities subject to national filter (R) | (80,984) | (49,132) |
| **Closing Amount** | **10,144,917** | **10,658,616** |
| **Total Own Funds at the end of the period** | **45,149,767** | **55,578,680** |

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

(*)
All amounts are referred to changes of periods, except for the opening/closing ones.

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

B.
The increase referred to 2016 (€608 million) mainly includes the following effects: (I) capital increase (for €548 million) related to the scrip dividend scheme as approved by the Extraordinary Shareholders' Meeting held on April 14, 2016, under which newly-issued ordinary shares of the Company were granted to the shareholders entitled to receive the 2015 dividend not requesting a cash payment; (II) capital increase resulting from the issue of shares connected with the medium-term incentive plan for the Group's personnel (for €41 million).

C.
The evolution referred to 2016 (positive for €736 million) reflects the positive impact resulting from the disposal of a quota of Fineco S.p.A and Bank Pekao, partially offset by the coupon's payment of Additional Tier 1 capital instruments.

D.
The evolution referred to 2016 (negative for €62 million) mainly reflects (i) the negative evolution of actuarial losses (€422 million) and revaluation reserves related to assets classified in the available for sale – AFS portfolio (€304 million) and (ii) positive effect regarding reserve on exchange differences (€782 million).

E.
The evolution referred to 2016 (positive for €85 million) mainly reflects the increase in Fineco S.p.A and Bank Pekao minorities resulting from the disposal of a quota of these entities, partially offset by the gradual reduction of the computable amount in Common Equity Tier 1 during the transitional period: available percentage for 2016 is equal to 40% (60% in 2015).

F.
The loss of year 2016 (equal to €11,790 million) is entirely deducted from Common Equity Tier 1 according to CRR art. 36(1)(a).

G.
The negative change in 2016 (equal to €855 million) is referred to the amount of (i) significant and not significant investments in CET1 instruments issued by financial sector entities and (ii) deferred tax assets that rely on future profitability and arise from temporary differences deducted during the transitional period. The amounts are detailed in the Template "Separate disclosure of deductions (art.437.d)".

H.
The evolution referred to 2016 (negative for €3 million) is related to the deduction of expected losses on equity instruments valued within IRB methods; the positive change in 2015 reflects the reduction to zero of the excess of expected losses compared to provisions (shortfall) compared to the amount deducted on December 31, 2014 (€885 million).

I.
The evolution referred to 2016 (negative for €352 million) mainly reflects the gradual reduction of the transitional adjustment allowed for 2016 (60% vs. 80% for 2015).

J.
The positive change referred to 2016 (equal to €1.098 million) reflects: (i) a positive change for €936 million resulting from the change in the treatment applied to unrealized gains on AFS securities issued by EU Central Administrations (previously entirely excluded from Own Funds); (ii) a positive change for €162 million mainly due to the reduction in the percentage (40% for 2016 vs. 60% for 2015) for excluding unrealized gains related to debt instruments other than those issued by EU Central Administration (€60 million) and capital instruments (€102 million).

K.
The positive change in 2016 (€131 million) mainly includes: (i) issuing of the Additional Tier 1 instrument by UniCredit S.p.A., on December 14, 2016, denominated in EUR for a total of €500 million; (ii) effects of the tender offer on Additional Tier1 instruments (ISIN codes XS0527624059, XS0372556299, XS0470937243).

L.
There are no changes in 2016 since, due to exceeding the grandfathering limit calculated according to CRR article 486, Additional Tier 1 instruments issued by subsidiaries are entirely reclassified in Tier 2.

M.
The negative change in 2016 (equal to €32 million) is referred to the amount of not significant investment in AT1 instruments issued by financial sector entities deducted during the transitional period (ref. to Template “Separate disclosure of deductions (art.437.d)”).

N.
The negative change in 2016 (€833million) mainly reflects the following elements: i) decrease related to the tender offer on the instrument with ISIN code XS0618847775; ii) regulatory amortization effects; such effects are partially offset by the issuing of the Tier 2 instrument (ISIN XS1426039696) by UniCredit S.p.A. on June 3, 2016 denominated in EUR for a total of 750 million.

O.
The positive change in 2016 (equal to €886 million) mainly reflects the impacts of FINO and PORTO operations.

P.
The negative change in 2016 (equal to €97 million) includes the effects of the tender offer on Tier 2 instruments (https://www.unicreditgroup.eu/it/press-media/press-releases-price-sensitive/2016/unicredit--offerta-pubblica-di-acquisto-su-strumenti-di-capitale.html).

Q.
The negative change in 2016 (equal to €37 million) is referred to the amount of not significant investments in T2 instruments issued by financial sector entities (ref. to Template “Separate disclosure of deductions (art.437.d)”).

R.
The change referred to 2016 (negative for €81 million) mainly reflects the reduction in the transitional percentage for including unrealized gains associated to debt instruments and capital instruments classified in the portfolio "Available for Sale – AFS” (40% for 2016 vs. 60% in 2015).

## Accounting and Regulatory Balance Sheet reconciliation with cross-reference to Transitional Own Funds items (CRR Article 437.a)

(€ '000)

| BALANCE SHEET - ASSETS | Accounting figures (*) | | Amounts relevant for Own Funds purposes (**) | Ref. to Table "Transitional Own Funds disclosure template" | Ref. notes (***) |
|---|---|---|---|---|---|
| | Accounting perimeter | Regulatory Perimeter | | | |
| 40. Available-for-sale financial assets - Equity instruments | **(2,499,896)** | **(2,508,711)** | **(475,844)** | 18, 19, 23 | A |
| 100. Investments in associates and joint ventures | **(6,158,551)** | **(4,131,359)** | | | |
| 130. Intangible assets, of/w: | **(3,191,380)** | **(3,240,225)** | **(4,994,563)** | 8 | |
| Goodwill | (1,483,721) | (1,483,721) | (3,151,940) | | B |
| Other Intangible Assets | (1,707,659) | (1,756,504) | (1,842,623) | | C |
| 140. Deferred Tax assets, of/w mainly: | **(14,018,245)** | **(14,031,822)** | **(1,013,421)** | | |
| Multiple goodwill redemption | (438,455) | (438,455) | (438,455) | 26 | D |
| Deferred tax assets that rely on future profitability | (2,678,462) | (2,692,039) | (574,966) | 10, 25 | E |

| BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY | Accounting figures (*) | | Amounts relevant for Own Funds purposes (**) | Ref. to Table "Transitional Own Funds disclosure template" | Ref. notes (***) |
|---|---|---|---|---|---|
| | Accounting perimeter | Regulatory Perimeter | | | |
| 20. Deposits from customers - Subordinated Liabilities, of/w: | **278,537** | **278,537** | **31,181** | | |
| Subordinated liabilities eligible in Tier 2 | 278,537 | 278,537 | 31,181 | 46 | F |
| 30. Debt securities in issue - Subordinated Liabilities, of/w: | **15,188,113** | **15,764,454** | **9,969,636** | | |
| Subordinated liabilities eligible in Additional Tier 1 subject to phase-out | 766,644 | 766,644 | 739,805 | 33 | G |
| Subordinated liabilities eligible in Tier 2 | 11,990,065 | 11,990,065 | 8,156,277 | 46 | F |
| Subordinated liabilities eligible in Tier 2 subject to phase-out | 1,731,950 | 1,731,950 | 1,073,554 | 47 | F |
| 40. Financial liabilities held for trading - Subordinated Liabilities, of/w: | **73,991** | **73,991** | **0** | | |
| Subordinated liabilities eligible in Tier 2 | 73,991 | 73,991 | 0 | | F |
| 140. Revaluation reserves, of/w mainly: | **(4,039,304)** | **(4,039,304)** | **(4,000,040)** | 3 - 26a - 9 - 11 | H |
| Valuation reserves of available-for-sale securities | 1,564,503 | 1,521,260 | 1,047,212 | 3 - 26a | |
| Revaluation reserves of actuarial net losses | (2,649,778) | (2,648,050) | (1,566,263) | 3 - 9 | |
| Other positive items - Special revaluation laws | 277,020 | 277,020 | 277,020 | 3 | |
| Cash flow hedge reserves | 329,819 | 373,033 | 0 | 3 - 11 | |
| Exchange differences | (2,063,807) | (3,733,285) | (3,758,009) | 3 | |
| Reserves related to non current assets held for sale and investments accounted for using the equity method | (1,497,061) | 170,718 | 0 | | |
| 160. Equity instruments, of/w: | **2,383,463** | **2,383,463** | **2,383,463** | | |
| Instruments eligible in Additional Tier 1 | 2,383,463 | 2,383,463 | 2,383,463 | 30 | |
| 170. Reserves, of/w: | **17,553,781** | **17,553,781** | **17,553,781** | | |
| Retained earnings | 12,149,020 | 12,149,020 | 12,149,020 | 2 | |
| Other reserves | 5,404,761 | 5,404,761 | 5,404,761 | 3 | H |
| 180. Share premium, of/w: | **14,384,918** | **14,384,918** | **14,367,640** | 1 | |
| Saving shares | 8,707 | 8,707 | 8,707 | 46 | F |
| 190. Issued capital, of/w: | **20,846,893** | **20,846,893** | **20,217,062** | 1 | |
| Ordinary shares underlying to the "CASHES" transaction subject to phase-out | 609,085 | 609,085 | 609,085 | 33 | G |
| Saving shares | 8,517 | 8,517 | 8,517 | 46 | F |
| 200. Treasury shares (-) | **(4,107)** | **(4,107)** | **(4,107)** | 16 | I |
| 210. Minority interests | **3,852,752** | **4,008,661** | **2,392,084** | 5 | J |
| 220. Net profit (loss) for the year (+/-) | **(11,790,094)** | **(11,790,094)** | **(11,790,094)** | 25a | K |

| Other elements for reconciliation with Transitional Own Funds | Amounts relevant for Own Funds purposes (**) | Ref. to Table "Transitional Own Funds disclosure template" | Ref. notes (***) |
|---|---|---|---|
| **Total other elements, of/w:** | **(113,320)** | | |
| Deduction for holdings in own Common Equity Tier 1 instruments | (2,273) | 16 | I |
| Assets referred to defined benefit pension funds | (36,768) | 15 | |
| Additional value adjustments | (169,999) | 7 | |
| Prudential filters to Common Equity Tier 1, of/w: | (260,773) | | |
| Own credit spread | (232,392) | 14 | |
| Disposal of properties | (28,381) | 26 | D |
| Deduction for Securitizations | (223,473) | 20c | |
| Deductions for indirect and synthetic holdings of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment | (20,090) | 18 | A |
| Shortfall of expected losses vs provisions (IRB models) | (1,920) | 12 | |
| Deduction for holdings in own Additional Tier 1 instruments | (26,793) | 37 | |
| Deduction for holdings of Additional Tier 1 instruments of financial sector entities where the institution does not have a significant investment (amount above the 10% threshold) | (31,994) | 39 | |
| Deduction for holdings of Additional Tier 1 instruments of financial sector entities where the institution has a significant investment | (27,004) | 40 | |
| Transitional adjustments to Additional Tier 1 | (178,914) | 41a, 41b | L |
| Instruments issued by subsidiaries included in Tier 2 | 876,271 | 48 | M |
| Excess of provisions vs expected losses (IRB models) | 904,784 | 50 | |
| Deduction for holdings in own Tier 2 instruments | (132,778) | 52 | |
| Deduction for holdings of Tier 2 instruments of financial sector entities where the institution does not have a significant investment (amount above the 10% threshold) | (36,908) | 54 | |
| Deduction for holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment | (674,714) | 55 | |
| Transitional adjustments to Tier 2 Capital | (69,974) | 56a, 56b, 56c | N |
| **Total Transitional Own Funds** | **45,149,767** | 59 | |

(*) The differences between accounting and regulatory figures mainly depend on the composition of accounting (IFRS) and regulatory (Banking Group) perimeters; specifically it depends on the treatment of the Entities belonging to Koc/Yapi Kredi group which are proportionally consolidated under the regulatory perimeter and consolidated by equity method under the accounting perimeter.
(**) Contribution positive / (negative) to the Transitional Own Funds. With reference to negative elements of Own Funds (i.e. deductions), the amounts reported also include, for each reference items, the quota related to assets held for sale.
(***) Notes related to column "Amounts relevant for Own Funds purposes".

**Notes to the table “Accounting and Regulatory Balance Sheet reconciliation with cross-reference to Transitional Own Funds items (CRR Article 437.a)”:**

A. Amounts of significant and not significant investments in financial sector entities (FSE) exceeds the conditional thresholds defined by the CRR (ref. articles 46, 470). The exceeding amount referred to direct holdings is equal to €476 million; the deduction referred to indirect and synthetic positions (€20 million) is exposed among the **“Other elements for reconciliation with Transitional Own Funds”**. The sum of such amounts (for overall €496 million) coincides with the sum of the amounts deducted according CRR articles 36.h and 36.i as reported in Template “Separate disclosure of deductions (art.437.d)”.
With reference to the item 100 “**Investments in associates and joint ventures**”, the main difference between accounting and regulatory amounts refers to those Entities consolidated by equity method consistently with the contents of note (*).

B. In addition to the regulatory accounting value of “**Goodwill**” (negative for €1,484 million), the amount of the deduction (€3,152 million) also includes the following elements: (I) goodwill related to assets held for sale (€1,681 million) (II) reduction of deferred tax effects related to goodwill according to CRR article 37 (€26 million); (III) inclusion of the goodwill related to the valuation of significant investments (€14 million).

C. In addition to the regulatory accounting value of “**Other intangible assets**” (negative for €1,757 million), the amount of the deduction (€1,843 million) also includes: (I) other intangible assets related assets held for sale (€196 million); (II) reduction of deferred tax effects related to such activities according to CRR article 37 (€110 million).

D. The regulatory accounting value (€438 million) is referred to deferred tax assets related to multiple redemptions of the same goodwill (“affrancamento multiplo”); the related amount considered in Own Funds (€438 million) refers to the negative prudential filter[6] applied to Common Equity Tier 1.
The amount reported in this item, summed up to the amount reported in the item “**Prudential filters to Common Equity Tier 1, of/w: disposal of properties**” (€28 million) exposed among the “**Other elements for reconciliation with Transitional Own Funds**”, corresponds to the total amount of €466 million reported in item 26 “**Regulatory adjustments applied to Common Equity Tier 1 in respect of amount subject to pre-CRR treatment**” of the table "Transitional Own Funds disclosure template".

E. The amount of deferred tax assets deducted from Own Funds is offset by related deferred tax liabilities where conditions stated by the CRR article 38 are met. The amount deducted from Common Equity Tier 1 Capital (€575 million) coincides with the amount deducted according to CRR article 36.c as reported in Template “Separate disclosure of deductions (art.437.d)”; such amount is referred to:

- deferred tax assets that rely on future profitability and do not arise from temporary differences (€216 million);
- deferred tax assets that rely on future profitability and arise from temporary differences (€359 million), equal to the amount exceeding the conditional thresholds defined according to CRR (ref. to article 470).

F. The relevant amount of subordinated liabilities reported in Tier 2 capital only refers to instruments issued by UniCredit S.p.A., while instruments issued by subsidiaries are included in consolidated Own Funds for the amount resulting from the application of CRR articles 85-88 (related amounts are reported in item “**Instruments issued by subsidiaries included in Tier 2**” among the “**Other elements for reconciliation with Transitional Own Funds**” – ref. to note M).
The reconciliation between the amount of Tier 2 instruments reported in this scheme and the items of the table "Transitional Own Funds disclosure template" is reported below:

- Sum of item 20 (€31 million), 30 (€8,156 million), 180 (€9 million) and 190 (€9 million) of this scheme for a total amount of €8,205 million: ref. to item 46 “**Capital instruments and the related share premium accounts**”;
- Item 30 (€1,074 million) of this scheme: ref. to item 47 “**Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2**”.

G. The relevant amount of subordinated liabilities reported in Additional Tier 1 capital only refers to instruments issued by UniCredit S.p.A.
The reconciliation between the amount of Additional Tier 1 instruments reported in this scheme and the item of the table "Transitional Own Funds disclosure template" is reported below:

- Sum of items 30 (€740 million) and 190 (€609 million) of this scheme for a total amount of €1,349 million: ref. to item 33 “**Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1**”.

[6] The amount of the filter refers to 5/5 of the amount subject to neutralization calculated according to Bank of Italy communication issued on May 9, 2013; the calculation takes into account the provisions of the Resolution n.55/E of the Italian Revenue Agency (Agenzia delle Entrate) issued on May 29, 2015 concerning "Discipline of the tax credit resulting from the processing of deferred tax assets recorded in the financial statements referred to in Article 2, paragraphs 55 to 58 of Decree-Law 29 December 2010, n. 225" ("Disciplina del credito d'imposta derivante dalla trasformazione di attività per imposte anticipate iscritte in bilancio di cui all'articolo 2, commi da 55 a 58, del decreto legge 29 dicembre 2010, n.225").

H. The main difference between accounting and regulatory amount refers to the Entities belonging to Koc/Yapi Kredi group consistently with the contents of note (*). When reconciling with the amount reported in Own Funds, the following elements shall be considered:

- Sum of the regulatory accounting value of item 140 “Revaluation reserves” (€ - 4,039 million) and the portion of other reserves included in item 170 (€5,405 million) of the present scheme, for a total amount of €1,365 million: ref. to item 3 “**Accumulated other comprehensive income and other reserves**” of the table "Transitional Own Funds disclosure template".
- The difference (€ - 39 million) between the regulatory accounting value of item 140 “Revaluation reserves” (€ - 4,039 million) and the relevant amount reported in Own Funds (€ - 4,000 million) depends on the following elements:
  - negative transitional adjustment (€698 million) referred to the exclusion of unrealised gains related to securities classified in the “available-for-sale portfolio – AFS”: ref to item 26a “**Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468**”;
  - positive transitional adjustment (€1,112 million) referred to actuarial net losses: ref. to item 9: “**Transitional adjustment related to IAS 19**”;
  - prudential filter (€374 million) referred to Cash flow hedge reserves: ref. to item 11: “**Fair value reserves related to gains or losses on cash flow hedges**”.

I. The amount of the item “**Treasury shares**” (€4 million), summed up to the amount of indirect and synthetic positions in own Common Equity Tier 1 instruments (€2 million reported among the “**Other elements for reconciliation with Transitional Own Funds**”), corresponds to the total amount of own Common Equity Tier 1 instruments deducted from Own Funds (€6 million), as reported in item 16 “**Direct and indirect holdings by an institution of own CET1 instruments**” of the table "Transitional Own Funds disclosure template".

J. The amount included in Own Funds (€2,392 million) refers to the computable amount of minority interests recognized in Common Equity Tier 1 during the transitional period according to CRR articles 479 and 480.

K. The amount of the loss of the period 2016, equal to €11,790 million, is entirely deducted from Common Equity Tier 1 according to CRR art. 36(1)(a); the loss is reported in this item pending the decision of the Shareholders’ ordinary Meeting of May 20, 2017 about its covering.

L. The item includes the residual amount to be deducted for 50% from Additional Tier 1 capital, related to:

- direct positions in Common Equity Tier 1 instruments issued by FSE in which a not significant investment (€22 million) and a significant investment (€137 million) is held;
- direct positions in Additional Tier 1 instruments issued by FSE in which a not significant investment (11 million) and significant investment is held (€9 million);
- excess of expected losses compared to provisions for IRB positions (€1 million).

M. The amount relevant for Own Funds purposes refers to Tier 2 instruments issued by subsidiaries and recognized in consolidated Own Funds during the transitional period according to CRR article 480.

N. The item includes the following transitional adjustments to Tier 2 Capital:

- deduction of 50% of the residual amount referred to (i) direct positions in Common Equity Tier 1 instruments instruments issued by FSE in which a not significant investment (€22 million) and significant investment (€137 million) is held; (ii) direct positions in Additional Tier 1 instruments issued by FSE in which a not significant investment (€11 million) and significant investment (€9 million) is held; (iii) excess of expected losses compared to provisions for IRB positions (€1 million);
- national positive filter as regulated by Bank of Italy Circular no. 285, equal to 40% of 50% of unrealised gains on debt securities and capital instruments classified in the available for sale - AFS portfolio (€109 million).

# Capital requirements

The UniCredit group has made a priority of capital management and allocation on the basis of the risk assumed in order to expand the Group's operations and create value. These activities are part of the Group planning and monitoring process and comprise:

- planning and budgeting processes:
    - proposals as to risk propensity and capitalization objectives;
    - analysis of risk 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 management reports for internal and external use;
    - analysis and monitoring of limits;
    - analysis and performance monitoring of the capital ratios of the Group and individual companies.

The Group has set itself the goal of generating income in excess of that necessary to remunerate risk (cost of equity), and thus of creating value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. In support of planning and monitoring processes, the Group has adopted a methodology based on risk-adjusted performance measurement (Rapm) which provides a number of indicators that combine and summarize the operating, financial and risk variables to be considered.
Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Group which must be adequately remunerated, on the other hand it is a scarce resource on which there are external limitations imposed by regulatory provisions.

The definitions of capital used in the allocation process are as follows:

- Risk or employed capital: This is the equity component provided by shareholders (employed capital) for which a return that is greater than or equal to expectations (cost of equity) must be provided;
- 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) risks assumed to pursue the objective of creating value.

If capital at risk is measured using risk management methods, it is defined as economic capital, if it is measured using regulatory provisions, it is defined as regulatory capital.
Economic capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of exposure assumed, while the latter is based on schedules specified in regulatory provisions.
Economic capital is set at a level that will cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with that of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted (CRR, Global Systemically Important Financial Institutions: G-SIFIs, etc.).
The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.
The purpose of the capital management function performed by the Capital Management unit of Planning and Capital Management is to define the target level of capitalization for the Group and its companies in line with supervisory regulations and the propensity for risk. UniCredit group has identified a Fully Loaded Common Equity Tier 1 Ratio Target above 12.5% as of 2019, as communicated in December 2016 within the Strategic Plan 2019. The Strategic Plan defines the referring macroeconomic scenario, the Group strategic guidelines and the main economic and financial targets as well as dividend payout assumptions coherent with the Common Equity Tier 1 Ratio Target.
The complete Strategic Plan presentation is available in the Group site, at the following link**:**
https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/press-and-media/price-sensitive/2016/PR_2016StrategicPlan_Eng_13.12.16.pdf**.**
Capital is managed dynamically: the Capital Management unit prepares the equity plan and monitors capital ratios for regulatory purposes.
On the one hand, monitoring is carried out in relation to shareholders' equity, for both accounting and regulatory purposes (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital), and on the other hand, in relation to the planning and performance of risk-weighted assets (RWAs).
The dynamic management approach is aimed at identifying the investment and capital-raising instruments (ordinary shares and other equity instruments) that are most suitable for achieving the Group's goals. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their cost and efficiency are measured using RAPM. In this context, value analysis is enhanced by the joint role played by the Capital Management unit in the areas of regulatory, accounting, financial, tax-related, risk management and other aspects and the changing regulations [7] affecting these aspects so that an assessment and all necessary instructions can be given to other Group HQ areas or the companies asked to perform these tasks.

[7] E.g. Basel 2/3, IAS/IFRS etc.

# Capital Strengthening

On January 12, 2017, the shareholders' Meeting approved a share capital increase for cash consideration up to an aggregate amount of €13 billion, including any share premium, to be carried out no later than June 30, 2017, also in one or more tranches and in a divisible form, through the issue of ordinary shares with regular entitlement to be pre-emptively offered to the Company's ordinary shareholders and holders of saving shares pursuant to article 2441, paragraphs first, second and third of the Italian Civil Code ("Rights Issue").

The Rights Issue is one of the pillars of the 2016-2019 Strategic Plan and will allow a significant strengthening of the Group's capital ratios, so as to be in line with the best European systemic banks. The positive impact on the UniCredit's pro-forma CET1 consolidated ratio is estimated equal to 361 basis points (calculated net of transaction costs) based on the financial position as of 31 December 2016 adjusted for the Strategic Plan perimeter post M&A transactions (i.e. disposal of Bank Pekao to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR"), and Pioneer Investments to Amundi) and assuming the full application of the Basel III Agreement provisions as well as the execution of the full €13billion issue volume of the Rights Issue.

The Shareholders' Meeting granted the Board of Directors the powers to establish, shortly prior to the launch of the public offering, the definitive amount of the Rights Issue, the subscription price of the newly issued shares, the portion to be allocated to the share capital and that to be allocated to the share premium reserve, the terms of effectiveness of the related subscriptions, the number of shares to be issued and the option ratio applicable to the ordinary and savings shares. The Shareholders' Meeting also granted the Board of Directors the powers to determine the timing for the approval of the Rights Issue, specifically for the launch of the offering of option rights as well as the later offer on the stock exchange of any rights that have not been exercised at the end of the subscription period.

The Shareholders' Meeting also approved a reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares.
On January 30, 2017, UniCredit S.p.A. filed the registration document and made it available to the public following the approval by the Commissione Nazionale per le Società e la Borsa (CONSOB), through the note dated January 27, 2017, ref. No.0013115/17.
On February 1, 2017, the Board of Directors of UniCredit S.p.A. approved the terms and conditions and the timetable of the pre-emptive offer of ordinary shares to the existing shareholders (the "Offering"), to be offered in Italy, Germany and Poland, based on the resolution of the extraordinary shareholders' meeting dated January 12, 2017.
The Offering has been carried out through the issuance of no par value new ordinary shares, to be pre-emptively offered to existing holders of ordinary and savings shares of the Company at the price of Euro 8.09 per share (of which Euro 0.01 as share capital and Euro 8.08 as share premium) at the subscription ratio of 13 new ordinary shares for every 5 ordinary and/or savings share held.
As a result, a maximum of 1,606,876,817 new ordinary shares have been issued in the context of the Offering, for an aggregate amount of the transaction equal to maximum Euro 12,999,633,449.53 (of which up to Euro 16,068,768.17 as share capital and up to Euro 12,983,564,681.36 as share premium).
Therefore it has been planned that:

- subscription rights could be exercised from February 6, 2017 (included) to February 23, 2017 (included) in Italy and Germany and from February 8, 2017 (included) to February 22, 2017 (included) in Poland;
- subscription rights could be traded on the MTA from February 6, 2017 to February 17, 2017 and on the WSE from February 8, 2017 to February 17, 2017; and
- subscription rights that are not exercised on or before the end of the subscription period could be auctioned by the Company on the MTA, pursuant to Article 2441, paragraph 3, of the Italian Civil Code.

In addition the underwriting agreement related to the transaction was signed. The underwriting syndicate has been coordinated and led by UniCredit Corporate & Investment Banking, Morgan Stanley and UBS Investment Bank acting as structuring advisors and, together with BofA Merrill Lynch, J.P. Morgan and Mediobanca, as joint global coordinators and joint bookrunners and in addition will include, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs International and HSBC, who will be acting as co-global coordinators and joint bookrunners, Banca IMI, Banco Santander, Barclays, BBVA, BNP PARIBAS, COMMERZBANK, Crédit Agricole CIB, Natixis and Société Générale who will be acting as joint bookrunners, ABN AMRO, Banca Akros, and Macquarie Capital who will be acting as co-bookrunners, Danske Bank as co-lead manager, as well as CaixaBank, Equita SIM, Haitong, Jefferies, RBC Capital Markets, SMBC Nikko and Keefe, Bruyette & Woods who will be acting as co-managers. The underwriting syndicate members (with the exception of UniCredit Corporate & Investment Banking) have committed, severally and not jointly, to subscribe any newly issued shares that remain unsubscribed at the end of the auction period which has been held after the subscription period, up to a maximum amount equal to the aggregate amount of the Offering.
On February 3, 2017, UniCredit S.p.A. filed the Securities Note and the Summary Note related to the rights offering following the approval by CONSOB (the "Prospectus" along with the Registration Document). On the same date, UniCredit S.p.A. announced that, following to the accomplishment of the so-called "passporting procedure" set forth in the European applicable law, the English translation (the "English Prospectus") of the Registration Document, the Securities Note and the Summary Note (the "Prospectus"), as well as the Polish and German translation of the Summary Note, were available on the Company's website www.unicreditgroup.eu.

On February 15, 2017, UniCredit S.p.A. informed that, following the approval by the Commissione Nazionale per le Società e la Borsa (CONSOB), it published a supplement to the prospectus relating to the rights offering. The supplement was prepared for the purpose of supplementing the information contained in the Prospectus following to: (i) the resolution of the Board of Directors of the Company dated February 9, 2017 which approved both on an individual and consolidated basis the preliminary figures relating to the Q4 2016 and the preliminary results for the year ended December 31, 2016, also for the purpose of European Union harmonised, consolidated regulatory reporting (FINancial REPorting – FINREP) pursuant to the applicable binding implementation technical standards; and (ii) the signing, on February 4, 2017, of an agreement with the Trade Unions related to the redundancies envisaged in Italy as part of the UniCredit Group's strategic plan 2016-2019.
Pursuant to applicable laws and regulations, the investors that agreed to subscribe new shares that were the object of the offer in Italy during the period between February 6, 2017 and the date of publication of the Supplement in Italy (included), they had the right to revoke their subscription within two business days from the date of publication of the Supplement, i.e. until February 17, 2017 (included), at the depositary intermediary where the subscription rights were exercised.
On the same date February 15, 2017, UniCredit S.p.A. announced that, following to the accomplishment in Germany and Poland of the so-called "passporting procedure" set forth in the European applicable law with respect to the supplement to the prospectus relating to the rights offering, the English translation of the Supplement as well as the Polish and German translations of the summary note, as amended and supplemented by the Supplement, have been made available to the public.
On February 23, 2017, UniCredit S.p.A. announced that during the subscription period (February 6, 2017 - February 23, 2017 in Italy and Germany and February 8, 2017 - February 22, 2017 in Poland, the "Subscription Period") 616,559,900 subscription rights were exercised in respect of 1,603,055,740 New Shares, representing 99.8% of the total New Shares offered, for an aggregate amount of Euro 12,968,720,936.60.
At the end of the Subscription Period, 1,469,645 rights relating to the subscription of 3,821,077 New Shares, representing 0.2% of the total New Shares offered, for an aggregate amount of Euro 30,912,512.93 remained unexercised.
On February 27, 2017, UniCredit S.p.A. announced that during the first trading session (held on February 27) all 1,469,645 rights not exercised during offering period (the "Unexercised Rights"), for the subscription of 3,821,077 newly issued UniCredit ordinary shares (the "New Shares") have been sold for a total amount of Euro 15,063,861.25.
On March 2, 2017, UniCredit S.p.A. announced that the rights issue for the subscription of 1,606,876,817 newly issued UniCredit ordinary shares has been completed. The rights issue has been fully subscribed for an aggregate amount of Euro 12,999,633,449.53 and no New Shares were subscribed by the underwriters.
Pursuant to art.2444 of the Italian Civil Code, the certification of the full subscription of the rights issue, including the updated share capital amount, has been filed for registration with the Rome Companies' Register.

Besides the operations of Capital Strengthening previously mentioned, during 2016 the following capital transactions occurred:
- on February 9, 2016 UniCredit's Board of Directors, pursuant to the powers conferred by the Extraordinary Shareholders' Meeting of April 29, 2011, the Extraordinary Shareholders' Meeting of May 11, 2012 and the Extraordinary Shareholders' Meeting of May 11, 2013, resolved to increase the share capital by €40,674,329.08 by issuing 11,993,660 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies;
- following the scrip dividend scheme approved by the Extraordinary Shareholders' Meeting of April 14, 2016, under which newly-issued ordinary and savings shares of the Company were allocated to the shareholders entitled to receive a dividend who did not opted for a cash payout, the share capital increased by €548,551,596.24, corresponding to No.198,646,706 ordinary shares and No.44,219 savings shares.

***Issuing of new instruments***
On May 26, 2016, with value date June 3, 2016, UniCredit S.p.A. launched Tier 2 notes, denominated in EUR, for a total of €750 million. The securities have a legal maturity of 10.5 years and can be called by the Issuer after 5.5 years from the issue date. Notes pay fixed rate coupons of 4.375% per annum, on an annual basis; if not redeemed, coupons will be reset to the then 5-Years Mid-Swap rate + 431.6 basis points. The Notes were distributed to different institutional investors' categories, mainly funds (88%) and banks and insurance companies. The demand was mainly coming from the following regions: UK (57%), Italy (20%), France (11%). Bonds are listed on the Luxembourg Stock Exchange.

On December 14, 2016, with value date December 21, 2016, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in EUR, for a total of € 500 million with characteristics compliant with the "CRD IV" regulation in force starting from January 1, 2014. The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after ca. 5.5 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 9.25% per annum for the initial 5.5 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 930 bps. The notes were allocated to institutional investors, based in the main financial European venues (UK and France, etc.).
The coupon payment is fully discretionary. The notes have a 5.125% Common Equity Tier 1 (CET1) trigger – If the Group or Issuer CET1 at any time falls below the trigger level, the instrument will be temporarily written down to cure the breach, taking into consideration other instruments with similar write down triggers.

## Credit and counterparty risk

(€ '000)

| CREDIT AND COUNTERPARTY RISKS | AMOUNTS AS AT 12.31.2016 | | | AMOUNTS AS AT 12.31.2015 | | |
|---|---|---|---|---|---|---|
| | NON-WEIGHTED AMOUNTS | WEIGHTED AMOUNTS | CAPITAL REQUIREMENT | NON-WEIGHTED AMOUNTS | WEIGHTED AMOUNTS | CAPITAL REQUIREMENT |
| **A. CREDIT AND COUNTERPARTY RISK** | | | | | | |
| **A.1 Standardized Approach** | **412,193,412** | **180,312,799** | **14,425,024** | **408,714,116** | **185,151,793** | **14,812,143** |
| Exposures with or secured by central governments or central banks | 174,081,367 | 22,825,839 | 1,826,067 | 164,182,523 | 25,572,663 | 2,045,813 |
| Exposures with or secured by regional administrations and local authorities | 41,651,502 | 1,526,976 | 122,158 | 42,488,774 | 1,730,842 | 138,467 |
| Exposures with or secured by administrative bodies and non-commercial undertakings | 8,360,889 | 1,433,867 | 114,709 | 8,027,555 | 2,018,993 | 161,519 |
| Exposures with or secured by multilateral development banks | 1,198,298 | 530 | 42 | 791,750 | 180 | 14 |
| Exposures with or secured by international organizations | 1,500,903 | - | - | 4,901,290 | - | - |
| Exposures with or secured by supervised institutions | 9,331,059 | 2,102,241 | 168,179 | 12,587,843 | 10,202,821 | 816,226 |
| Exposures with or secured by corporates | 75,942,043 | 74,066,239 | 5,925,299 | 74,960,930 | 70,677,576 | 5,654,206 |
| Retail exposures | 42,889,778 | 30,396,358 | 2,431,709 | 43,054,222 | 30,241,284 | 2,419,303 |
| Exposures secured by real estate property | 16,965,221 | 7,423,030 | 593,842 | 17,666,214 | 7,717,650 | 617,412 |
| Past due exposures | 7,716,384 | 8,785,879 | 702,870 | 11,112,791 | 13,224,496 | 1,057,960 |
| High risk exposures | 1,905,851 | 2,858,778 | 228,702 | 1,698,188 | 2,547,281 | 203,782 |
| Exposures in the form of guaranteed bank bonds (covered bond) | 505,326 | 94,673 | 7,574 | 671,483 | 117,275 | 9,382 |
| Exposures in the form of Collective Investment Undertakings (CIU) | 304,234 | 320,146 | 25,612 | 306,388 | 298,101 | 23,848 |
| Short term exposures with corporates | 1,410,038 | 1,225,561 | 98,045 | 1,105,640 | 1,248,441 | 99,875 |
| Securitization positions | 700,795 | 307,913 | 24,633 | 758,584 | 337,301 | 26,984 |
| Equity exposures | 6,452,416 | 10,296,283 | 823,703 | 4,033,854 | 4,036,851 | 322,948 |
| Other exposures | 21,277,308 | 16,648,486 | 1,331,879 | 20,366,087 | 15,180,038 | 1,214,403 |
| **A.2 IRB Approach - RisK Assets** | **464,902,626** | **150,218,385** | **12,017,471** | **484,494,756** | **147,761,573** | **11,820,926** |
| Exposures with or secured by central administration and central banks | 14,319,495 | 669,477 | 53,558 | 23,756,557 | 987,336 | 78,987 |
| Exposures with or secured by supervised institutions, public and territorial entities and other entities | 38,515,306 | 6,726,287 | 538,103 | 56,979,349 | 7,781,340 | 622,507 |
| Exposures with or secured by corporate - SME | 64,663,193 | 23,926,684 | 1,914,135 | 66,917,790 | 23,591,193 | 1,887,295 |
| Exposures with or secured by corporate - Specialised lending | 21,628,156 | 8,697,536 | 695,803 | 22,891,750 | 9,476,934 | 758,155 |
| Exposures with or secured by corporate - Other | 163,860,309 | 71,993,156 | 5,759,452 | 156,485,904 | 68,539,079 | 5,483,126 |
| Retail exposures secured by residential real estate property - SME | 7,423,788 | 1,655,741 | 132,459 | 7,952,312 | 1,762,496 | 141,000 |
| Retail exposures secured by residential real estate property - non SME | 89,253,850 | 19,125,114 | 1,530,009 | 87,194,310 | 19,467,270 | 1,557,382 |
| Retail exposures - qualifying revolving | 5,815,811 | 720,277 | 57,622 | 5,181,463 | 668,109 | 53,449 |
| Retail exposures - other SME | 26,581,351 | 8,460,665 | 676,853 | 27,991,935 | 7,281,797 | 582,544 |
| Retail exposures - other non SME | 10,798,144 | 4,900,586 | 392,047 | 10,620,443 | 4,822,212 | 385,777 |
| Securitization positions | 22,043,223 | 2,594,605 | 207,568 | 18,522,943 | 2,543,255 | 203,460 |
| Other non credit obligation assets | | 748,257 | 59,861 | | 840,552 | 67,244 |
| **A.3 IRB Approach - Equity Exposures** | **189,544** | **578,926** | **46,314** | **200,972** | **615,334** | **49,227** |
| PD/LGD approach: risk assets | 111,430 | 399,314 | 31,945 | 114,690 | 382,785 | 30,623 |
| Internal models approach: risk assets | - | - | - | - | - | - |
| Simple risk weight approach: risk assets | 78,114 | 179,612 | 14,369 | 86,282 | 232,549 | 18,604 |
| Equity exposures - private equity in sufficiently diversified portfolios (weight 190%) | 56,397 | 107,154 | 8,572 | 44,301 | 84,170 | 6,734 |
| Equity exposures - exchange-traded (weight 290%) | 9,873 | 28,631 | 2,290 | 8,688 | 25,195 | 2,016 |
| Equity exposures - other (weight 370%) | 11,845 | 43,827 | 3,506 | 33,293 | 123,184 | 9,855 |
| Exposures subject to transitional arrangements in relation to Own Funds requirements | - | - | - | - | - | - |
| Exposures subject to grandfathering provisions in relation to Own Funds requirements | - | - | - | - | - | - |
| **A.4 Exposures with or central counterparties as pre-funded contributions to the default fund** | | **70,977** | **5,678** | | **69,520** | **5,562** |

With reference to point A.1 Standardized approach, the amounts shown in the column “Non weighted amounts” include the off balance exposures post credit conversion factor.

**Credit and counterparty risk** (€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | AMOUNTS AS AT 12.31.2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | CREDIT RISK | | COUNTERPARTY RISK | | CREDIT RISK | | COUNTERPARTY RISK | |
| CREDIT AND COUNTERPARTY RISK | RWA (NET OF IC) | CAPITAL REQUIREMENT | RWA (NET OF IC) | CAPITAL REQUIREMENT | RWA (NET OF IC) | CAPITAL REQUIREMENT | RWA (NET OF IC) | CAPITAL REQUIREMENT |
| **Standard method** | **177,041,440** | **14,163,315** | **3,271,359** | **261,709** | **181,307,738** | **14,504,619** | **3,844,055** | **307,524** |
| Exposures with or secured by central governments or central banks | 22,815,242 | 1,825,219 | 10,597 | 848 | 25,562,247 | 2,044,980 | 10,416 | 833 |
| Exposures with or secured by regional administrations and local authorities | 1,492,856 | 119,428 | 34,120 | 2,730 | 1,712,166 | 136,973 | 18,676 | 1,494 |
| Exposures with or secured by administrative bodies and non-commercial undertakings | 1,416,594 | 113,328 | 17,273 | 1,382 | 1,987,912 | 159,033 | 31,081 | 2,486 |
| Exposures with or secured by multilateral development banks | 530 | 42 | - | - | 180 | 14 | - | - |
| Exposures with or secured by international organizations | - | - | - | - | - | - | - | - |
| Exposures with or secured by supervised institutions | 1,278,366 | 102,269 | 823,875 | 65,910 | 9,509,704 | 760,776 | 693,117 | 55,449 |
| Exposures with or secured by Corporates | 71,987,149 | 5,758,972 | 2,079,090 | 166,327 | 67,914,350 | 5,433,148 | 2,763,226 | 221,058 |
| Retail exposures | 30,198,169 | 2,415,854 | 198,189 | 15,855 | 29,984,607 | 2,398,769 | 256,677 | 20,534 |
| Exposures secured by real estate property | 7,423,030 | 593,842 | - | - | 7,717,650 | 617,412 | - | - |
| Past due exposures | 8,769,330 | 701,546 | 16,549 | 1,324 | 13,214,147 | 1,057,132 | 10,349 | 828 |
| High risk exposures | 2,858,778 | 228,702 | - | - | 2,547,281 | 203,782 | - | - |
| Exposures in the form of guaranteed bank bonds (covered bond) | 94,673 | 7,574 | - | - | 117,275 | 9,382 | - | - |
| Securitization positions | 307,913 | 24,633 | | | 337,301 | 26,984 | | |
| Short term exposures with corporates | 1,133,897 | 90,712 | 91,664 | 7,333 | 1,214,617 | 97,169 | 33,824 | 2,706 |
| Exposure in the form of Collective Investment Undertakings (CIU) | 320,146 | 25,612 | - | - | 298,101 | 23,848 | - | - |
| Equity exposures | 10,296,283 | 823,703 | - | - | 4,010,177 | 320,814 | 26,674 | 2,134 |
| Other exposures | 16,648,484 | 1,331,879 | 2 | 0 | 15,180,023 | 1,214,402 | 15 | 1 |
| **IRB** | | | | | | | | |
| **Foundation** | **11,365,886** | **909,271** | **539,765** | **43,181** | **13,382,653** | **1,070,612** | **585,990** | **46,879** |
| Exposures with or secured by central governments and central banks | 95,800 | 7,664 | - | - | 103,713 | 8,297 | - | - |
| Exposures with or secured by supervised institutions, public and territorial entities and other entities | 839,498 | 67,160 | 94,504 | 7,560 | 892,506 | 71,400 | 39,741 | 3,179 |
| Exposures with or secured by corporate - SME | 2,851,810 | 228,145 | 13,376 | 1,070 | 4,029,329 | 322,346 | 13,153 | 1,052 |
| Exposures with or secured by corporate - Specialised lending | 1,000,853 | 80,068 | 28,895 | 2,312 | 854,268 | 68,341 | 37,849 | 3,028 |
| Exposures with or secured by corporate - Other | 6,577,925 | 526,234 | 402,990 | 32,239 | 7,502,837 | 600,227 | 495,247 | 39,620 |
| **Advanced** | **130,010,762** | **10,400,861** | **5,707,367** | **456,589** | **124,454,915** | **9,956,393** | **6,794,760** | **543,581** |
| Exposures with or secured by central governments and central banks | 532,261 | 42,581 | 41,416 | 3,313 | 866,436 | 69,315 | 17,187 | 1,375 |
| Exposures with or secured by supervised institutions, public and territorial entities and other entities | 4,601,223 | 368,098 | 1,191,062 | 95,285 | 4,927,246 | 394,180 | 1,921,847 | 153,748 |
| Exposures with or secured by corporate - SME | 20,372,442 | 1,629,795 | 689,056 | 55,124 | 18,784,336 | 1,502,747 | 764,375 | 61,150 |
| Exposures with or secured by corporate - Specialised lending | 6,887,480 | 550,998 | 780,308 | 62,425 | 7,883,445 | 630,676 | 701,372 | 56,110 |
| Exposures with or secured by corporate - Other | 62,053,501 | 4,964,280 | 2,958,740 | 236,699 | 57,220,979 | 4,577,678 | 3,320,016 | 265,601 |
| Retail exposures secured by residential real estate property - SME | 1,655,741 | 132,459 | - | - | 1,762,496 | 141,000 | - | - |
| Retail exposures secured by residential real estate property - non SME | 19,125,114 | 1,530,009 | - | - | 19,467,270 | 1,557,382 | - | - |
| Retail exposures - qualifying revolving | 720,277 | 57,622 | - | - | 668,109 | 53,449 | - | - |
| Retail exposures - other SME | 8,446,259 | 675,701 | 14,406 | 1,152 | 7,264,375 | 581,150 | 17,422 | 1,394 |
| Retail exposures - other non SME | 4,868,207 | 389,457 | 32,379 | 2,590 | 4,769,671 | 381,574 | 52,541 | 4,203 |
| Other non credit obligation assets | 748,257 | 59,861 | | | 840,552 | 67,244 | | |
| **Other IRB exposures** | **3,173,531** | **253,882** | **-** | **-** | **3,158,589** | **252,687** | **-** | **-** |
| PD/LGD approach: risk assets | 399,314 | 31,945 | | | 382,785 | 30,623 | | |
| Internal models approach: risk assets | - | - | | | - | - | | |
| Simple risk weight approach: risk assets | 179,612 | 14,369 | | | 232,549 | 18,604 | | |
| Equity exposures - private equity in sufficiently diversified portfolios (weight 190%) | 107,154 | 8,572 | | | 84,170 | 6,734 | | |
| Equity exposures - exchange-traded (weight 290%) | 28,631 | 2,290 | | | 25,195 | 2,016 | | |
| Equity exposures - other (weight 370%) | 43,827 | 3,506 | | | 123,184 | 9,855 | | |
| Securitization positions | 2,594,605 | 207,568 | | | 2,543,255 | 203,460 | | |
| **Exposures with or central counterparties as pre-funded contributions to the default fund** | **70,977** | **5,678** | | | **69,520** | **5,562** | | |

In the “Capital Adequacy” scheme, the weighted amounts regarding securitization exposures are included in the item “A.1.3 Securitization”; while capital requirement regarding securitization exposures is included in the item “B.1 Credit and counterparty Risk”.

## Capital Adequacy

(€ '000)

| ITEMS/VALUES | UNWEIGHTED ASSETS 12.31.2016 | UNWEIGHTED ASSETS 12.31.2015 | WEIGHTED ASSETS/REQUIREMENTS 12.31.2016 | WEIGHTED ASSETS/REQUIREMENTS 12.31.2015 |
|---|---|---|---|---|
| **A. RISK ASSETS** | | | | |
| **A.1 Credit and counterparty risk** | **877,285,582** | **893,409,844** | **331,181,087** | **333,598,220** |
| 1. Standardized approach [1] | 411,492,617 | 407,955,532 | 180,075,863 | 184,884,012 |
| 2. IRB approaches | 443,048,947 | 466,172,785 | 148,202,706 | 145,833,652 |
| 2.1 Foundation | 17,371,475 | 20,527,719 | 11,905,651 | 13,968,643 |
| 2.2 Advanced | 425,677,472 | 445,645,066 | 136,297,055 | 131,865,009 |
| 3. Securitizations | 22,744,018 | 19,281,527 | 2,902,518 | 2,880,556 |
| **B. CAPITAL REQUIREMENTS** | | | | |
| **B.1 Credit and counterparty risk** | | | **26,494,487** | **26,687,858** |
| **B.2 Credit valuation adjustment risk** | | | **292,528** | **390,513** |
| **B.3 Settlement risk** | | | **2,278** | **1,981** |
| **B.4 Market risk** | | | **1,100,151** | **877,142** |
| 1. Standard approach | | | 158,445 | 178,037 |
| 2. Internal models | | | 941,706 | 699,105 |
| 3. Concentration Risk | | | - | - |
| **B.5 Operational risk** | | | **3,081,431** | **3,290,415** |
| 1. Basic indicator approach | | | 233,540 | 225,086 |
| 2. Traditional standardized approach | | | 285,337 | 300,729 |
| 3. Advanced measurement approach | | | 2,562,554 | 2,764,600 |
| **B.6 Other calculation elements** | | | **-** | **-** |
| **B.7 Total capital requirements** | | | **30,970,875** | **31,247,909** |
| **C. RISK ASSETS AND CAPITAL RATIO** | | | | |
| **C.1 Risk Weighted Assets** | | | **387,135,931** | **390,598,859** |
| **C.2 Common Equity Tier 1 Capital / Risk weighted assets (CET1 capital ratio)** | | | **8.15%** | **10.59%** |
| **C.3 Tier 1 Capital / Risk weighted assets (Tier 1 capital ratio)** | | | **9.04%** | **11.50%** |
| **C.4 Total Own Funds / Risk weighted assets (Total capital ratio)** | | | **11.66%** | **14.23%** |

**Notes:**

1. The weighted amount includes the “Exposures with or central counterparties as pre-funded contributions to the default fund”.

**EU OV1 - Overview of RWAs**

(€'000)

| Categories | | | RWA | Minimal Capital Requirements |
|---|---|---|---|---|
| | | | 12/31/2016 | 12/31/2016 |
| | **1** | **Credit risk (excluding CCR)** | **306,573,875** | **24,525,910** |
| Art 438(c)(d) | 2 | of which standardised approach | 164,618,291 | 13,169,463 |
| Art 438(c)(d) | 3 | of which the foundation IRB (FIRB) approach | 11,365,888 | 909,271 |
| Art 438(c)(d) | 4 | of which the advanced IRB (AIRB) approach | 130,410,084 | 10,432,807 |
| Art 438(d) | 5 | of which Equity IRB under the Simple risk-weight or the IMA | 179,612 | 14,369 |
| **Art 107, Art 438(c)(d)** | **6** | **CCR** | **13,246,064** | **1,059,685** |
| Art 438(c)(d) | 7 | of which mark to market | 2,410,280 | 192,822 |
| Art 438(c)(d) | 8 | of which Original exposure | - | - |
| | 9 | of which standardised approach | 324,945 | 25,996 |
| | 10 | of which internal model method (IMM) | 6,783,266 | 542,661 |
| Art 438(c)(d) | 11 | of which risk exposure amount for contributions to the default fund of a CCP | 70,977 | 5,678 |
| Art 438(c)(d) | 12 | of which CVA | 3,656,596 | 292,528 |
| **Art 438(e)** | **13** | **Settlement Risk** | **28,487** | **2,279** |
| **Art 449(o)(i)** | **14** | **Securitisation exposures in banking book (after the cap)** | **2,902,518** | **232,201** |
| | 15 | of which IRB approach | 1,209,885 | 96,791 |
| | 16 | of which IRB Supervisory Formula Approach (SFA) | 795,647 | 63,652 |
| | 17 | of which Internal assessment approach (IAA) | 589,074 | 47,126 |
| | 18 | of which standardised approach | 307,913 | 24,633 |
| **Art 438(e)** | **19** | **Market risk** | **13,751,875** | **1,100,151** |
| | 20 | of which standardised approach | 1,980,560 | 158,445 |
| | 21 | of which IMA | 11,771,315 | 941,706 |
| **Art 438(e)** | **22** | **Large exposures** | - | - |
| **Art 438(f)** | **23** | **Operational risk** | **38,517,886** | **3,081,431** |
| | 24 | of which Basic Indicator Approach | 2,919,240 | 233,540 |
| | 25 | of which Standardised Approach | 3,566,717 | 285,337 |
| | 26 | of which Advanced Measurement Approach | 32,031,929 | 2,562,554 |
| **Art 437(2), 48,60** | **27** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **12,115,226** | **969,217** |
| Art 500 | 28 | Floor adjustment | | |
| | **29** | **Total** | **387,135,931** | **30,970,875** |

The sum of the rows 1,6, (excluded row 12),14 and 27 is equal to €331,181,087 thousand, matching the row "A.1 Credit and counterparty risk" of the "Capital Adequacy" table.

The sum of the rows 2, 7 (for the standard approach of €1,429,549 thousand), 9, 10 (for the standard approach of €1,516,875 thousand), 11,27 is equal to €180,075,863 thousand matching the row "A.1.1 Standardized approach" of the "Capital Adequacy" table.

The sum of the rows 3, 4, 5, 7 (for the IRB approach of €980,731 thousand) 10 (for the IRB approach of €5,266,391 thousand) is equal to total amount of €148,202,706 thousand, matching row "A.1.2 IRB approach" of the "Capital Adequacy" table.

| **Risk Weighted Assets segmentation** | | (€' 000) |
|---|---|---|
| **Categories** | **Weighted amounts** | |
| | **12.31.2016** | **12.31.2015[1]** |
| **Total Risk Weighted Assets** | **387,135,931** | **390,598,859** |
| **A. Credit and Counterparty Risk** | **331,181,087** | **333,598,220** |
| A.1. Commercial Banking Italy | 70,433,744 | 66,723,660 |
| A.2. Commercial Banking Germany | 30,863,916 | 28,525,984 |
| A.3. Commercial Banking Austria | 20,561,018 | 21,550,279 |
| A.4.CEE | 82,315,413 | 83,323,814 |
| A.5. CIB | 53,588,546 | 52,661,337 |
| A.6. Asset Gathering | 1,114,413 | 1,040,443 |
| A.7. Group Corporate Center | 47,404,812 | 50,091,072 |
| A.8. Non Core | 24,899,225 | 29,681,631 |
| **B. Market Risk** | **17,436,960** | **15,870,451** |
| B.1. Commercial Banking Italy | 213 | 188,988 |
| B.2. Commercial Banking Germany | 13,263 | 43,600 |
| B.3. Commercial Banking Austria | 19,338 | 61,138 |
| B.4.CEE | 2,125,363 | 2,595,713 |
| B.5. CIB | 14,779,863 | 11,947,113 |
| B.6. Asset Gathering | 32,000 | 11,650 |
| B.7. Group Corporate Center | 466,835 | 848,664 |
| B.8. Non Core | 88 | 173,588 |
| **C. Operational Risk** | **38,517,884** | **41,130,188** |
| C.1. Commercial Banking Italy | 9,028,863 | 10,095,500 |
| C.2. Commercial Banking Germany | 5,231,350 | 5,513,263 |
| C.3. Commercial Banking Austria | 3,094,263 | 3,357,663 |
| C.4.CEE | 6,769,513 | 6,939,088 |
| C.5. CIB | 6,364,300 | 6,145,475 |
| C.6. Asset Gathering | 743,500 | 752,100 |
| C.7. Group Corporate Center | 5,987,534 | 7,008,188 |
| C.8. Non Core | 1,298,563 | 1,318,913 |

**Note:**
1.Figures were recast, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules.

The amount in point B - Market Risk, equal to € 17,436,896 thousand, is consistent with:
- referring to "Capital Adequacy" table: the sum of point B.2, B.3 and B.4;
- referring to "Overview RWAs" table: the sum of lines 12, 13 and 19.

The amount in point A - Credit and Counterparty Risk, equal to €331,187,087 thousand, is consistent with the sum of lines 1,6,14 and 27 (except to line 12 "of which: CVA") of the "Overview RWAs" table.

**Ytd changes in Risk Weighted Assets - business segment** (€'000)

| Categories | Weighted amounts - Changes in FY 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | GROUP | CBK ITA | CBK GERM | CBK AUT | CIB | CEE | NON CORE | OTHER[1] |
| **TOTAL RWA, Opening Balances** | **390,598,859** | **77,008,148** | **34,082,847** | **24,969,079** | **70,753,925** | **92,858,614** | **31,174,131** | **59,752,117** |
| **Acquisitions (+)/Dismissal (-)** [2] | **(2,493,522)** | **-** | **(34)** | **(33,848)** | **(9,097)** | **(2,437,686)** | **-** | **(12,857)** |
| *ow Credit and Counterparty Risk* | (1,959,646) | - | - | (30,414) | - | (1,929,232) | - | - |
| *ow Market Risk* | (508,376) | - | - | - | - | (508,376) | - | - |
| *ow Operational Risk* | (25,500) | - | (34) | (3,434) | (9,097) | (78) | - | (12,857) |
| **A. Credit and Counterparty Risk Changes** | **(457,487)** | **3,710,113** | **2,337,925** | **(958,810)** | **927,246** | **920,769** | **(4,782,414)** | **(2,612,316)** |
| A.1. FX Effect | (430,933) | - | (77,761) | (88,210) | 177,752 | 64,785 | - | (507,499) |
| A.2. Change in Exposures | (42,608) | 285,078 | 2,685,097 | (524,457) | 2,450,221 | 2,166,852 | (7,329,589) | 224,190 |
| A.3. Prociclicality | 2,896,894 | 3,245,310 | (409,121) | (464,500) | 400,456 | (1,367,362) | 2,137,167 | (645,056) |
| A.4. Model Changes | 9,793 | (94,674) | (25,865) | - | (325,054) | 490,663 | (2,609) | (32,668) |
| A.5. Regulatory Changes | (2,053) | - | - | - | (1,104) | (949) | - | - |
| A.6. Other Changes | (2,888,580) | 274,399 | 165,575 | 118,357 | (1,775,025) | (433,220) | 412,617 | (1,651,283) |
| **B. Market Risk Changes** | **2,074,885** | **(188,778)** | **(30,327)** | **(41,803)** | **2,832,739** | **38,038** | **(173,497)** | **(361,487)** |
| B.1. Regulatory Changes | (2,088,480) | - | - | - | (2,088,480) | - | - | - |
| B.2. Book Evolution | (2,868,951) | 212 | (30,327) | (86,942) | (1,136,920) | (1,350,594) | (34,692) | (229,688) |
| B.3. Other Changes | 7,032,316 | (188,990) | - | 45,139 | 6,058,139 | 1,388,632 | (138,805) | (131,799) |
| **C. Operational Risk Changes** | **(2,586,804)** | **(1,066,664)** | **(281,882)** | **(260,000)** | **227,896** | **(169,447)** | **(20,345)** | **(1,016,362)** |
| **TOTAL RWA, Closing Balances** | **387,135,931** | **79,462,819** | **36,108,529** | **23,674,618** | **74,732,709** | **91,210,288** | **26,197,875** | **55,749,094** |

**Notes:**
**1.** Includes Asset Gathering and Group Corporate Center.
**2.** Acquisitions (+)/ Dismissal (-): Acquisition / Dismissal of consolidated subsidiaries
**Definitions**
**A.1. FX Effect** Impact of fx rate fluctuations
**A.2. Change in Exposures** Impact on RWA caused by change in Exposure At Default
**A.3. Prociclicality** Impact of Probability of Default/Loss Given Default/Exposure At Default given by re-rating of customers due to recalibrations and migrations
**A.4. Model Changes** Impact coming from Rollout, model and methodology changes
**A.5. Regulatory Changes** Impact of new/updated regulation and of specific feedbacks of the Regulator
**B.1. Regulatory Changes** Impact of new/updated regulation and of specific feedbacks of the Regulator
**B.2. Book Evolution** Changes due to business evolution and market indicators

## Market Risk capital requirement

(€ '000)

| | 12.31.2016 | 12.31.2015 |
|---|---|---|
| Position risk: | 1,073,984 | 823,294 |
| - Assets included in regulatory trading portfolio | 1,073,984 | 823,294 |
| - Assets not included in regulatory trading portfolio | - | - |
| Settlement risk for DVP transactions | 2,278 | 1,981 |
| Exchange rate risk | 24,731 | 53,848 |
| Commodities risk position | 1,436 | - |
| CVA (Credit Value Adjustment) risk | 292,528 | 390,513 |
| **Market Risk capital requirement** | **1,394,957** | **1,269,636** |

The amount of the Market Risk capital requirement, equal to €1,394,957 thousand, is consistent with:

- referring to “Capital Adequacy” table: the sum of points B.2, B.3 and B.4;
- referring to “Overview RWAs table: the sum of the lines 12, 13 and 19.

**EU MR1 - Market risk under standardised approach**

(€'000)

| | Categories | a | b |
|---|---|---|---|
| | | RWAs | Capital requirements |
| | **Outright products** | | |
| 1 | Interest rate risk (general and specific) | 1,599,718 | 127,978 |
| 2 | Equity risk (general and specific) | 38,280 | 3,062 |
| 3 | Foreign exchange risk | 309,138 | 24,731 |
| 4 | Commodity risk | 17,950 | 1,436 |
| | **Options** | | |
| 5 | Simplified approach | 0 | 0 |
| 6 | Delta-plus method | 10,500 | 840 |
| 7 | Scenario approach | 0 | 0 |
| 8 | Securitisation (specific risk) | 4,963 | 397 |
| **9** | **Total** | **1,980,548** | **158,445** |

The total amount of the Market risk refers to:

- the amount in point B.4.1 of the "Capital Adequacy" table;
- the amount in line 20 of the "Overview RWAs" table.

**Specialized lendings - Slotting criteria**

(€ '000)

| | EXPOSURE AMOUNT | | | | |
|---|---|---|---|---|---|
| | REGULATORY CATEGORIES | | | | |
| REMAINING MATURITY/ ASSESSMENT | 1 - STRONG | 2 - GOOD | 3 - SATISFACTORY | 4 - WEAK | 5 - DEFAULT |
| Remaining maturity less than 2,5 years | - | 241,522 | - | - | - |
| Remaining maturity equal to or more than 2,5 years | 137,462 | 470,700 | 245,026 | 107,611 | 185,015 |
| **Total Specialized Lendings at 12.31.2016** | **137,462** | **712,222** | **245,026** | **107,611** | **185,015** |
| **Total Specialized Lendings at 12.31.2015** | **25,101** | **292,556** | **488,338** | **103,161** | **215,749** |

## Countercyclical capital buffer

The table below shows the "Countercyclical capital buffer" disclosure prepared on the basis of the rates applicable as at December 31, 2016. Further information are reported in the introductive paragraph in the "Own Funds" chapter.

**Amount of institution-specific countercyclical capital buffer**

(€' 000)

| Row | Description | Column - 010 |
|---|---|---|
| 010 | **Total risk exposure amount** | 387,135,931 |
| 020 | **Institution specific countercyclical buffer rate** | 0.005% |
| 030 | **Institution specific countercyclical buffer requirement** | 18,179 |

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The following table sets out credit exposures as at 31 December 2016, split by geographical distribution, relevant for the calculation of the countercyclical capital buffer according to the EU Regulation n° 1152/2014.

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

(€' 000)

| As at 12.31.2016 | General Credit Exposures | | Trading Book Exposure | | Securitisation Exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure Value for SA | Exposure Value for IRB | Sum of long and short position of trading book | Value of trading book exposure for Internal Model | Exposure Value for SA | Exposure Value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| ***Breakdown by country*** | | | | | | | | | | | | |
| ANDORRA, PRINCIPALITY OF | 84 | 2 | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| SAUDI ARABIA | 80,942 | 4,120 | 2 | - | - | - | 3,385 | - | - | 3,385 | 0.01 | 0.000% |
| AUSTRALIA | 74,322 | 366,961 | - | 6,569 | - | 11,176 | 11,182 | 35 | 317 | 11,535 | 0.05 | 0.000% |
| AUSTRIA | 9,323,746 | 46,038,489 | - | 1,213,041 | - | 1,794,508 | 1,429,581 | 4,792 | 10,600 | 1,444,973 | 5.90 | 0.000% |
| BELGIUM | 336,847 | 736,054 | 304 | 16,365 | - | - | 34,847 | 1,622 | - | 36,470 | 0.15 | 0.000% |
| BULGARIA | 1,765,126 | 5,567,187 | - | - | - | - | 363,152 | - | 2,319 | 365,471 | 1.49 | 0.000% |
| CANADA | 112,556 | 356,552 | 63 | 49,684 | - | - | 21,562 | 70 | - | 21,633 | 0.09 | 0.000% |
| DENMARK | 87,708 | 508,880 | - | 10,043 | - | - | 20,853 | 473 | - | 21,326 | 0.09 | 0.000% |
| FINLAND | 24,064 | 336,445 | 92 | 15,541 | - | - | 8,755 | 1,356 | - | 10,112 | 0.04 | 0.000% |
| FRANCE | 1,195,263 | 3,768,267 | 2,590 | 217,244 | - | 267,516 | 160,555 | 11,768 | 2,953 | 175,276 | 0.72 | 0.000% |
| UNITED KINGDOM | 3,655,687 | 5,404,970 | 1,110 | 118,064 | 51,129 | 1,261,392 | 384,685 | 10,555 | 20,453 | 415,692 | 1.70 | 0.000% |
| GREECE | 20,282 | 368,196 | - | 1,403 | - | 4,947 | 14,795 | 164 | - | 14,959 | 0.06 | 0.000% |
| SAN MARINO | 3,349 | 14,026 | - | - | - | - | 791 | - | - | 791 | 0.00 | 0.000% |
| IRELAND | 653,498 | 405,634 | 5,192 | 7,110 | 174 | 1,444,774 | 55,697 | 784 | 16,018 | 72,498 | 0.30 | 0.000% |
| ICELAND | 82 | 1,951 | 1,804 | - | - | - | 47 | 4 | - | 51 | 0.00 | 0.000% |
| MEXICO | 23,321 | 326,749 | 66 | 16,098 | - | - | 10,751 | 410 | - | 11,161 | 0.05 | 0.000% |
| NORWAY | 23,442 | 873,368 | 6 | 53,196 | - | - | 45,120 | 38 | - | 45,158 | 0.18 | 1.500% |
| NEW ZEALAND | 492 | 7,341 | - | 929 | - | - | 49 | 5 | - | 54 | 0.00 | 0.000% |
| NETHERLANDS | 1,160,048 | 4,901,569 | 73,420 | 173,356 | 39,598 | 1,243,075 | 257,443 | 5,528 | 14,072 | 277,042 | 1.13 | 0.000% |
| POLAND | 28,369,441 | 930,985 | 14,998 | 24,974 | 238,526 | - | 2,315,744 | 3,262 | 14,312 | 2,333,318 | 9.52 | 0.000% |
| PORTUGAL | 57,853 | 274,862 | - | 22,216 | - | 89,919 | 13,562 | 1,970 | 4,997 | 20,529 | 0.08 | 0.000% |
| MACAO | 261 | 1,089 | - | - | - | - | 26 | - | - | 26 | 0.00 | 0.000% |
| ROMANIA | 3,613,226 | 3,010,649 | - | - | - | - | 405,308 | - | - | 405,308 | 1.65 | 0.000% |
| SPAIN | 751,866 | 1,600,143 | 945 | 79,486 | 18,871 | 803,799 | 87,142 | 8,391 | 18,685 | 114,217 | 0.47 | 0.000% |
| SWEDEN | 117,088 | 617,987 | 12 | 102,931 | - | - | 22,112 | 1,129 | - | 23,241 | 0.09 | 1.500% |
| U.S.A. | 2,719,360 | 7,237,244 | 187,726 | 222,759 | 284,603 | 927,426 | 357,696 | 17,455 | 12,087 | 387,239 | 1.58 | 0.000% |
| SWITZERLAND | 496,319 | 4,762,469 | 195 | 81,735 | - | - | 172,672 | 4,122 | - | 176,794 | 0.72 | 0.000% |
| TURKEY | 27,323,009 | 4,542,328 | - | 10,795 | - | - | 2,107,468 | 474 | - | 2,107,942 | 8.60 | 0.000% |
| HUNGARY | 2,557,195 | 2,943,528 | - | 22,564 | - | - | 246,760 | 2,822 | - | 249,582 | 1.02 | 0.000% |
| SOUTH KOREA | 111,744 | 96,282 | - | - | - | - | 8,611 | - | - | 8,611 | 0.04 | 0.000% |
| JAPAN | 37,353 | 3,959 | 6 | 4,184 | - | - | 3,406 | 5 | - | 3,412 | 0.01 | 0.000% |
| LIECHTENSTEIN, PRINCIPALITY OF | 3,513 | 97,883 | - | - | - | - | 4,359 | - | - | 4,359 | 0.02 | 0.000% |
| MONACO, PRINCIPALITY OF | 1,357 | 8,552 | 64 | - | - | - | 261 | - | - | 261 | 0.00 | 0.000% |
| LUXEMBOURG | 1,736,599 | 2,940,455 | 3,374 | 33,902 | - | 1,684 | 258,365 | 2,473 | 43 | 260,882 | 1.06 | 0.000% |
| VATICAN CITY | 27 | - | - | - | - | - | 2 | - | - | 2 | 0.00 | 0.000% |
| GERMANY | 9,327,206 | 98,854,895 | 61,240 | 554,447 | - | 4,374,007 | 2,495,435 | 24,155 | 25,823 | 2,545,412 | 10.39 | 0.000% |
| CYPRUS | 396,484 | 462,180 | - | - | - | - | 43,930 | - | - | 43,930 | 0.18 | 0.000% |
| MALTA | 261,898 | 114,384 | 80 | - | - | - | 23,689 | - | - | 23,689 | 0.10 | 0.000% |

**Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (continued)**

(€' 000)

| As at 12.31.2016 | General Credit Exposures | | Trading Book Exposure | | Securitisation Exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure Value for SA | Exposure Value for IRB | Sum of long and short position of trading book | Value of trading book exposure for Internal Model | Exposure Value for SA | Exposure Value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| ***Breakdown by country*** | | | | | | | | | | | | |
| GUERNSEY | 131,778 | 101,422 | - | - | - | - | 26,008 | - | - | 26,008 | 0.11 | 0.000% |
| JERSEY | 6,253 | 327,221 | 1,495 | - | - | - | 29,134 | - | - | 29,134 | 0.12 | 0.000% |
| ISLE OF MAN | 35,797 | 406,815 | 22 | - | - | - | 11,742 | - | - | 11,742 | 0.05 | 0.000% |
| FAROER ISLANDS | - | 10 | - | - | - | - | - | - | - | - | - | 0.000% |
| GUADELOUPE | 67 | - | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| REUNION ISLAND | 4 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| ST. PIERRE AND MIQUELON | 15 | - | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| ESTONIA | 85,861 | 473 | - | - | - | - | 5,516 | - | - | 5,516 | 0.02 | 0.000% |
| LATVIA | 203,399 | 1,793 | 1,884 | - | - | - | 12,229 | 4 | - | 12,233 | 0.05 | 0.000% |
| LITHUANIA | 128,773 | 6,607 | 1,843 | - | - | - | 7,906 | 4 | - | 7,911 | 0.03 | 0.000% |
| SLOVENIA | 1,190,761 | 748,996 | - | 768 | - | - | 83,279 | 86 | - | 83,364 | 0.34 | 0.000% |
| CZECH REPUBLIC | 1,711,054 | 10,620,755 | - | - | - | - | 607,475 | - | - | 607,475 | 2.48 | 0.000% |
| SLOVAKIA | 2,804,769 | 3,062,015 | 1,768 | 5,506 | - | - | 339,714 | 578 | - | 340,292 | 1.39 | 0.000% |
| Altri Stati | 2,111 | 445 | - | - | - | 86,706 | 200 | - | 11,353 | 11,554 | 0.05 | 0.000% |
| ITALY | 79,715,429 | 166,103,992 | 746,317 | 540,225 | 85,398 | 12,044,012 | 9,331,246 | 49,165 | 81,120 | 9,461,532 | 38.62 | 0.000% |
| AFGHANISTAN | 8 | 33 | - | - | - | - | 413 | - | - | 413 | 0.00 | 0.000% |
| ALGERIA | 63,210 | 126,152 | - | - | - | - | 14,882 | - | - | 14,882 | 0.06 | 0.000% |
| ARGENTINA | 1,874 | 16,923 | - | - | - | - | 2,855 | - | - | 2,855 | 0.01 | 0.000% |
| BOLIVIA | 473 | 895 | - | - | - | - | 128 | - | - | 128 | 0.00 | 0.000% |
| BRAZIL | 48,518 | 49,645 | 289 | 863 | - | - | 2,072 | 125 | - | 2,197 | 0.01 | 0.000% |
| CHILE | 1,139 | 19,643 | - | 330 | - | - | 834 | 9 | - | 843 | 0.00 | 0.000% |
| CHINA | 688,919 | 129,103 | 8 | 842 | - | - | 55,119 | 1 | - | 55,120 | 0.22 | 0.000% |
| COLOMBIA | 504 | 13,566 | - | - | - | - | 493 | - | - | 493 | 0.00 | 0.000% |
| CONGO, THE DEMOCRATIC REPUBLIC OF | 293 | - | - | - | - | - | 9 | - | - | 9 | 0.00 | 0.000% |
| COSTA RICA | 993 | 285 | - | - | - | - | 83 | - | - | 83 | 0.00 | 0.000% |
| CUBA | 2 | 38,026 | - | - | - | - | 8,642 | - | - | 8,642 | 0.04 | 0.000% |
| TAIWAN | 17,270 | 33,814 | - | - | - | - | 1,883 | - | - | 1,883 | 0.01 | 0.000% |
| EGYPT | 268,042 | 318,707 | - | - | - | - | 32,704 | - | - | 32,704 | 0.13 | 0.000% |
| ECUADOR | 376 | 2,577 | - | - | - | - | 198 | - | - | 198 | 0.00 | 0.000% |
| ETHIOPIA | 300 | 7,798 | - | - | - | - | 1,681 | - | - | 1,681 | 0.01 | 0.000% |
| PHILIPPINES | 15,968 | 39,675 | - | - | - | - | 1,973 | - | - | 1,973 | 0.01 | 0.000% |
| GUATEMALA | 2 | 1,071 | - | - | - | - | 49 | - | - | 49 | 0.00 | 0.000% |
| HAITI | 2 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| HONDURAS | 83 | - | - | - | - | - | 7 | - | - | 7 | 0.00 | 0.000% |
| PAKISTAN | 3,220 | 10,005 | - | - | - | - | 1,734 | - | - | 1,734 | 0.01 | 0.000% |
| IRAQ | 1,406 | 62,233 | - | - | - | - | 6,846 | - | - | 6,846 | 0.03 | 0.000% |
| IRAN | 35,628 | 3,262 | - | - | - | - | 606 | - | - | 606 | 0.00 | 0.000% |
| YEMEN | 43 | - | - | - | - | - | 3 | - | - | 3 | 0.00 | 0.000% |

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

(€' 000)

| As at 12.31.2016 | General Credit Exposures | | Trading Book Exposure | | Securitisation Exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure Value for SA | Exposure Value for IRB | Sum of long and short position of trading book | Value of trading book exposure for Internal Model | Exposure Value for SA | Exposure Value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| ***Breakdown by country*** | | | | | | | | | | | | |
| LIBERIA | 15,424 | 449,478 | 12 | - | - | - | 17,963 | - | - | 17,963 | 0.07 | 0.000% |
| LIBYA | 310 | 12 | - | - | - | - | 24 | - | - | 24 | 0.00 | 0.000% |
| NICARAGUA | - | 1 | - | - | - | - | - | - | - | - | - | 0.000% |
| PANAMA | 120,400 | 117,858 | 21 | - | - | - | 7,598 | - | - | 7,598 | 0.03 | 0.000% |
| PARAGUAY | 24 | 8,038 | - | - | - | - | 74 | - | - | 74 | 0.00 | 0.000% |
| PERU | 2,708 | 29,006 | - | - | - | - | 1,010 | - | - | 1,010 | 0.00 | 0.000% |
| TANZANIA | 784 | - | - | - | - | - | 53 | - | - | 53 | 0.00 | 0.000% |
| ZAMBIA | 2 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| VIET-NAM | 72,154 | 234,435 | - | - | - | - | 26,303 | - | - | 26,303 | 0.11 | 0.000% |
| DOMINICAN REPUBLIC | 334 | 381 | 800 | - | - | - | 39 | - | - | 39 | 0.00 | 0.000% |
| SALVADOR, EL | 419 | 133 | - | - | - | - | 38 | - | - | 38 | 0.00 | 0.000% |
| SYRIA | 20 | - | - | - | - | - | 2 | - | - | 2 | 0.00 | 0.000% |
| SUDAN | 7 | 9 | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| THAILAND | 50,613 | 37,760 | 26 | - | - | - | 4,936 | - | - | 4,936 | 0.02 | 0.000% |
| ZIMBABWE | 60 | 1 | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| NORTH KOREA | 11 | 6 | - | - | - | - | 2 | - | - | 2 | 0.00 | 0.000% |
| TUNISIA | 1,185 | 46,090 | - | 4,004 | - | - | 4,511 | 541 | - | 5,052 | 0.02 | 0.000% |
| SOUTH AFRICAN REPUBLIC | 75,184 | 377,422 | 1,179 | 15,298 | - | - | 8,213 | 1,826 | - | 10,039 | 0.04 | 0.000% |
| URUGUAY | 1,112 | 30,803 | - | - | - | - | 1,074 | - | - | 1,074 | 0.00 | 0.000% |
| VENEZUELA | 604 | 838 | - | - | - | - | 56 | - | - | 56 | 0.00 | 0.000% |
| JAMAICA | 50 | - | - | - | - | - | 2 | - | - | 2 | 0.00 | 0.000% |
| SRI LANKA | 507 | 4,201 | - | - | - | - | 497 | - | - | 497 | 0.00 | 0.000% |
| ALBANIA | 1,586 | 7,799 | - | - | - | - | 905 | - | - | 905 | 0.00 | 0.000% |
| LEBANON | 3,829 | 82,031 | - | - | - | - | 8,681 | - | - | 8,681 | 0.04 | 0.000% |
| BOTSWANA | 15 | - | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| GIBRALTAR | 18 | 13 | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| HONG KONG | 8,921 | 324,019 | - | 1,277 | - | - | 19,909 | 5 | - | 19,914 | 0.08 | 0.625% |
| MADAGASCAR | 24 | - | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| MALAYSIA | 31,603 | 8,801 | - | - | - | - | 2,838 | - | - | 2,838 | 0.01 | 0.000% |
| MOROCCO | 3,945 | 36,719 | - | - | - | - | 1,720 | - | - | 1,720 | 0.01 | 0.000% |
| MONGOLIA | 659 | 710 | - | - | - | - | 211 | - | - | 211 | 0.00 | 0.000% |
| GHANA | 260 | 1,921 | - | - | - | - | 348 | - | - | 348 | 0.00 | 0.000% |
| INDIA | 53,355 | 32,590 | - | 953 | - | - | 3,751 | 66 | - | 3,817 | 0.02 | 0.000% |
| NEPAL | 78 | 3 | - | - | - | - | 6 | - | - | 6 | 0.00 | 0.000% |
| KENYA | 948 | 3,574 | - | - | - | - | 489 | - | - | 489 | 0.00 | 0.000% |
| NIGERIA | 192 | 4,119 | 5 | - | - | - | 297 | - | - | 297 | 0.00 | 0.000% |
| BARBADOS | 55 | - | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| CAMEROON | 10 | 79 | - | - | - | - | 11 | - | - | 11 | 0.00 | 0.000% |

**Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (continued)**

(€' 000)

| As at 12.31.2016 | General Credit Exposures | | Trading Book Exposure | | Securitisation Exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure Value for SA | Exposure Value for IRB | Sum of long and short position of trading book | Value of trading book exposure for Internal Model | Exposure Value for SA | Exposure Value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| ***Breakdown by country*** | | | | | | | | | | | | |
| TRINIDAD AND TOBAGO | - | 44 | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| JORDAN | 3,384 | 49,063 | - | - | - | - | 3,833 | - | - | 3,833 | 0.02 | 0.000% |
| BRUNEI | - | 2,592 | - | - | - | - | 128 | - | - | 128 | 0.00 | 0.000% |
| KUWAIT | 35,032 | 109,380 | - | - | - | - | 4,987 | - | - | 4,987 | 0.02 | 0.000% |
| MALDIVE ISLANDS | 470 | 5 | - | - | - | - | 21 | - | - | 21 | 0.00 | 0.000% |
| MAURITIUS ISLAND | 138 | 1,147 | - | - | - | - | 57 | - | - | 57 | 0.00 | 0.000% |
| INDONESIA | 39,983 | 71,313 | - | - | - | - | 3,182 | - | - | 3,182 | 0.01 | 0.000% |
| BANGLADESH | 829 | 53,222 | - | - | - | - | 6,359 | - | - | 6,359 | 0.03 | 0.000% |
| UGANDA | 336 | 208 | - | - | - | - | 51 | - | - | 51 | 0.00 | 0.000% |
| ANGOLA | 209 | 148,858 | - | - | - | - | 5,085 | - | - | 5,085 | 0.02 | 0.000% |
| MOZAMBIQUE | 11 | 12,291 | - | - | - | - | 929 | - | - | 929 | 0.00 | 0.000% |
| CAMBODIA | - | 20,200 | - | - | - | - | 79 | - | - | 79 | 0.00 | 0.000% |
| LAOS | 1 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| GUINEA | - | 17 | - | - | - | - | - | - | - | - | - | 0.000% |
| SWAZILAND | 2,340 | - | - | - | - | - | 187 | - | - | 187 | 0.00 | 0.000% |
| BURKINA FASO | - | 380 | - | - | - | - | 69 | - | - | 69 | 0.00 | 0.000% |
| CONGO | 1 | 23,296 | - | - | - | - | 140 | - | - | 140 | 0.00 | 0.000% |
| COTE D'IVOIRE | 102 | 123 | - | - | - | - | 7 | - | - | 7 | 0.00 | 0.000% |
| SINGAPORE | 40,866 | 1,863,059 | 114 | - | - | - | 53,366 | - | - | 53,366 | 0.22 | 0.000% |
| AMERICAN SAMOA | 157 | - | - | - | - | - | 13 | - | - | 13 | 0.00 | 0.000% |
| MALI | 1 | 72 | - | - | - | - | - | - | - | - | - | 0.000% |
| NIGER | 4 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| RWANDA | 11 | - | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| SENEGAL | 31,382 | 3,719 | - | - | - | - | 918 | - | - | 918 | 0.00 | 0.000% |
| GUAM | - | 1,294 | - | - | - | - | 21 | - | - | 21 | 0.00 | 0.000% |
| GABON | 3 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| BENIN | 15 | - | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| GUYANA | - | 13 | - | - | - | - | - | - | - | - | - | 0.000% |
| BAHAMA ISLANDS | 17,742 | 229,292 | - | - | - | - | 6,974 | - | - | 6,974 | 0.03 | 0.000% |
| FIJI ISLANDS | 5 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| OMAN | 32 | 52,340 | - | - | - | - | 2,180 | - | - | 2,180 | 0.01 | 0.000% |
| GAMBIA, THE | 1 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| EQUATORIAL GUINEA | 19 | 496 | - | - | - | - | 85 | - | - | 85 | 0.00 | 0.000% |
| QATAR | 909 | 561,430 | - | - | - | - | 10,202 | - | - | 10,202 | 0.04 | 0.000% |
| BAHREIN | 3,539 | 40,466 | - | - | - | - | 585 | - | - | 585 | 0.00 | 0.000% |
| ISRAEL | 24,169 | 29,308 | 14 | - | - | - | 2,182 | - | - | 2,182 | 0.01 | 0.000% |
| PAPUA-NEW GUINEA | - | 90 | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| CAPE VERDE | 74 | - | - | - | - | - | 6 | - | - | 6 | 0.00 | 0.000% |

**Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (continued)**

(€' 000)

| As at 12.31.2016 | General Credit Exposures | | Trading Book Exposure | | Securitisation Exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure Value for SA | Exposure Value for IRB | Sum of long and short position of trading book | Value of trading book exposure for Internal Model | Exposure Value for SA | Exposure Value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| ***Breakdown by country*** | | | | | | | | | | | | |
| SEYCHELLES | 1 | 82 | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| ST. KITTS AND NEVIS | 189 | 6,103 | - | - | - | - | 457 | - | - | 457 | 0.00 | 0.000% |
| ST. VINCENT AND THE GRENADINES | 2 | 3 | 20 | - | - | - | - | - | - | - | - | 0.000% |
| ANTIGUA AND BARBUDA | 5 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| ST. LUCIA | 1 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| NAMIBIA | 29 | 44 | - | - | - | - | 4 | - | - | 4 | 0.00 | 0.000% |
| BERMUDA | 367,621 | 723,291 | 29 | - | - | - | 26,867 | - | - | 26,867 | 0.11 | 0.000% |
| CAYMAN ISLANDS | 219,498 | 100,433 | 823 | - | - | 22,741 | 21,434 | - | 231 | 21,665 | 0.09 | 0.000% |
| MARSHALL ISLANDS | 43,024 | 803,277 | - | - | - | - | 40,713 | - | - | 40,713 | 0.17 | 0.000% |
| FRENCH POLYNESIA | - | 11 | - | - | - | - | 1 | - | - | 1 | 0.00 | 0.000% |
| ABU DHABI | 75,671 | 1,368,841 | 1 | - | - | - | 37,096 | - | - | 37,096 | 0.15 | 0.000% |
| INDIAN OCEAN BRITISH TERRITORY | 10 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| BRITISH VIRGIN ISLANDS | 39,570 | 44,786 | 3 | - | - | - | 4,497 | - | - | 4,497 | 0.02 | 0.000% |
| NEW CALEDONIA | 29 | 218 | - | - | - | - | 3 | - | - | 3 | 0.00 | 0.000% |
| CROATIA | 7,984,110 | 433,302 | - | 10,019 | - | - | 517,253 | 330 | - | 517,583 | 2.11 | 0.000% |
| RUSSIA | 9,366,947 | 6,934,868 | 48 | 16,982 | - | - | 938,831 | 1,896 | - | 940,727 | 3.84 | 0.000% |
| UKRAINE | 123,197 | 78,002 | 1,041 | - | - | - | 21,278 | - | - | 21,278 | 0.09 | 0.000% |
| BELARUS | 3,106 | 39,570 | - | - | - | - | 3,693 | - | - | 3,693 | 0.02 | 0.000% |
| MOLDOVA | 235 | 155 | - | - | - | - | 12 | - | - | 12 | 0.00 | 0.000% |
| ARMENIA | 9,466 | 29,046 | - | - | - | - | 918 | - | - | 918 | 0.00 | 0.000% |
| GEORGIA | 145 | 2,593 | 20 | - | - | - | 258 | - | - | 258 | 0.00 | 0.000% |
| AZERBAIJAN | 76,736 | 84,730 | - | - | - | - | 11,212 | - | - | 11,212 | 0.05 | 0.000% |
| KAZAKHSTAN | 144,935 | 124,545 | - | - | - | - | 19,545 | - | - | 19,545 | 0.08 | 0.000% |
| KIRGHIZISTAN | 651 | 247 | - | - | - | - | 49 | - | - | 49 | 0.00 | 0.000% |
| UZBEKISTAN | 28,784 | 3,950 | - | - | - | - | 626 | - | - | 626 | 0.00 | 0.000% |
| TADZHIKISTAN | 18,882 | 1 | - | - | - | - | 1,510 | - | - | 1,510 | 0.01 | 0.000% |
| TURKMENISTAN | - | 78 | - | - | - | - | - | - | - | - | - | 0.000% |
| BOSNIA AND HERCEGOVINA | 2,011,318 | 4,278 | - | - | - | - | 127,165 | - | - | 127,165 | 0.52 | 0.000% |
| MACEDONIA | 4,595 | 1,908 | - | - | - | - | 542 | - | - | 542 | 0.00 | 0.000% |
| TERRITORI AUTONOMI DI PALESTINA | 1 | 333 | - | - | - | - | 30 | - | - | 30 | 0.00 | 0.000% |
| SOUTH GEORGIA E SOUTH SANDWICH | 15 | - | - | - | - | - | - | - | - | - | - | 0.000% |
| SERBIA | 1,969,532 | 72,151 | - | - | - | - | 140,028 | - | - | 140,028 | 0.57 | 0.000% |
| MONTENEGRO | 8,069 | 265 | - | - | - | - | 664 | - | - | 664 | 0.00 | 0.000% |
| CURACAO | 3 | - | 80 | - | - | - | - | - | - | - | - | 0.000% |
| **TOTAL** | **206,732,554** | **396,710,271** | **1,111,151** | **3,655,703** | **718,299** | **24,377,682** | **24,105,383** | **158,498** | **235,383** | **24,499,268** | **100** | |

# Reclassification of Financial Assets

The amendments to IAS39 and to IFRS7 “Reclassification of financial assets” approved by the IASB in 2008 make it possible to reclassify certain financial assets, after their initial recognition, out of the HfT and AfS portfolios.

In particular, the following may be reclassified:

- those HfT or AfS financial assets that would have satisfied the definition specified by the international accounting standards for the loan portfolio (if such assets were not classified as HfT or AfS respectively on initial recognition) if the entity intends, and is able, to hold them for the foreseeable future or until maturity;
- "only in rare circumstances" those HfT financial assets which, at the time of their recording, did not satisfy the definition of loans.

The following table provides the book value and the fair value as at December 31, 2016 (broken down by type of underlying asset and portfolio) of assets which were reclassified in the second half of 2008 and in the first half of 2009.
The income/expenses that would have been recognized if such reclassifications had not occurred, as well as those effectively recognized through profit or loss or at equity, are also provided.

These income/expenses before tax are broken down into: those arising “from measurement” (including any write-downs) and “other” (including interest and gains/losses on the disposal of the transferred assets).

As a result, the overall impact before tax that would have been recognized in the income statement as of December 31, 2016, if these assets had not been reclassified, would have been a gain of €78,355 thousand, while the impact actually recognized was a gain of €136,727 thousand.

## Reclassified financial assets: book value, fair value and effects on comprehensive income

(€ '000)

| INSTRUMENTS TYPE (1) | ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION (2) | ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION (3) | BOOK VALUE AS AT 12.31.2016 (4) | FAIR VALUE AS AT 12.31.2016 (5) | INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX) | | INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAX) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | FROM MEASUREMENT (6) | OTHER (7) | FROM MEASUREMENT (8) | OTHER (9) |
| **A. Debt securities** | | | **1,999,399** | **2,101,333** | **6,631** | **96,794** | **55,482** | **81,930** |
| | Held for trading | Available for sale | 1,928 | 1,928 | 48 | 173 | 48 | 199 |
| | Held for trading | Held to maturity | 49,286 | 49,715 | (1,277) | 2,409 | - | 2,409 |
| | Held for trading | Loans to Banks | 426,223 | 468,187 | (5,422) | 12,388 | - | 15,008 |
| | Held for trading | Loans to Customers | 1,507,364 | 1,567,647 | 13,222 | 81,399 | 55,359 | 63,956 |
| | Available for sale | Loans to Banks | - | - | - | - | - | - |
| | Available for sale | Loans to Customers | 14,598 | 13,856 | 60 | 425 | 75 | 358 |
| **B. Equity instruments** | | | **-** | **-** | **-** | **-** | **-** | **-** |
| | Held for trading | Available for sale | - | - | - | - | - | - |
| **C. Loans** | | | **189,204** | **196,888** | **(30,687)** | **5,617** | **(5,532)** | **4,847** |
| | Held for trading | Available for sale | - | - | - | - | - | - |
| | Held for trading | Held to maturity | - | - | - | - | - | - |
| | Held for trading | Loans to Banks | 28,780 | 29,673 | (883) | 1,225 | - | 1,708 |
| | Held for trading | Loans to Customers | 160,424 | 167,215 | (29,804) | 4,392 | (5,532) | 3,139 |
| | Available for sale | Loans to Banks | - | - | - | - | - | - |
| | Available for sale | Loans to Customers | - | - | - | - | - | - |
| **D. Units in investment funds** | | | **-** | **-** | **-** | **-** | **-** | **-** |
| | Held for trading | Available for sale | - | - | - | - | - | - |
| **Total** | | | **2,188,603** | **2,298,221** | **(24,056)** | **102,411** | **49,950** | **86,777** |

Debt securities reclassified in the loan with customers portfolio include structured credit products (other than derivative contracts and financial instruments with incorporated derivatives) for an amount of €1,065,963 thousand at December 31, 2016.

# Credit Risk

## Structure and Organization

The credit risk management in Holding Company breaks down into two organizational levels:

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

Functions with responsibilities at Group level include:

- the “Group Credit & Integrated Risks” department, responsible for credit risk strategies definition, monitoring and controlling the credit risk of the Group portfolio as well as ensuring an integrated view across Pillar I and II risks to Top Management. The department has the following structures:
    - “Group Risk Strategies & Pillar 2” department, responsible for providing Top Management with an integrated and looking-forward vision of risks affecting the Group, defining and monitoring the Group Risk Appetite and the Group credit strategies processes, preparing the Internal Capital Adequacy Assessment Process (ICAAP) and managing the stress testing process. It is also responsible for developing and maintaining models for economic capital calculation within the perimeter of competence;
    - “Group Credit Risk Initiatives, Standards & Reporting” department, responsible for defining the credit risk reporting framework and producing standard reports on credit risk. Moreover, it is responsible for mapping the economic groups, as well as coordinating and monitoring the progress of key initiatives of the “Group Risk Management” department;
    - "Group Credit Risk Planning & Monitoring" department, responsible for providing Top Management with an integrated vision (current and looking-forward) of risks affecting the Group and acting as point of reference and coordination towards Supervisor Authorities and major external stakeholders for issues within its perimeter of competence. It is responsible for monitoring, on a periodic basis, the Group overall credit portfolio and the integrated risk assessment, and for planning and controlling of provisions, RWAs and capital absorption for performing and problem loans;

- the "Group Credit Risk Governance" department, responsible for guaranteeing at Group level the coordination and steering of Pillar I credit risk models and architectural framework/ information flow and credit processes, also ensuring their integration and alignment. Furthermore, it is responsible for validating, at Group level, the risk measurement methodologies and pricing of the financial instruments as well as cooperating with other Group competent functions on Risk Weighted Assets contents. The department is organized as follows:

    - “Group Credit Risk Modeling” department, responsible for developing and maintaining methodologies and Group models for Pillar 1 (credit) and provide guidelines, coordinating, interacting with and supporting local development functions in order to guarantee a harmonized methodology implementation at Group level;
    - “Group Credit Risk Processes and Information Flow” department, responsible for defining and maintaining the Group methodologies to be applied to credit risk processes and information flow, as well as for their application on UniCredit S.p.A., defining the Group Credit Rules and monitoring their approval and implementation by the Legal Entities and, in cooperation with other Holding Company competent departments, it is responsible for defining and maintaining the methodology to be applied to credit risk end-to-end data processes and related architectures across the whole credit risk perimeter for all Legal Entities of the Group;
    - “Group Internal Validation” department, responsible for validating, at Group level, the measurement methodologies, the related processes, the IT components and the data quality, for Pillar I and Pillar II risks, providing adequate reporting for Company Bodies and the Supervisory Authorities;
    - “RWA Quality and Analysis” unit, responsible for cooperating with other Group competent functions in order to identify potential improvement in capital absorption and to define data quality controls related to Group Risk Weighted Assets;
    - “Group Credit Risk Coordination and Planning” unit, responsible within the department, for managing the communication to Governance Bodies and Supervisory Authorities, coordinating key projects, monitoring performance KPIs, planning the activities related to IRB systems, processes and information flow.

- the "Group Credit Transactions" department, responsible for the group-wide assessment, monitoring and oversight of large credit transactions and financial institutions, banks and sovereigns global credit model management, as well as the assessment, approval and daily management of Country risks and cross-border credit risk-taking. The department is composed by the following structures:
    - the "GCT coordination and Committees Secretariat" unit, responsible for supporting, as a central group-wide reference point for credit transactions above defined thresholds or according to other current regulations, the arrangement and coordination of the various procedural phases and information flows to facilitate the functioning of the approval and reporting processes involving the Committees under its remit or upper Bodies. Furthermore, it is responsible for the continuous optimization of the department´s activities, following the Group's simplification targets and the evolution of the regulatory framework;
    - "FIBS Credit Transactions" department, responsible for the management and the monitoring of the counterparties, single and economic groups, belonging to the client segments Financial Institutions, Banks and Sovereigns (hereafter "FIBS") within the perimeter in its remit. Moreover, it is responsible for supporting the development and implementation of group-wide risk appetite strategies at overall FIBS portfolio level and more granular sub-portfolios;
    - "Large Credit Transactions & Country Risk" department, responsible for transactions above defined thresholds for corporate counterparties, Structured Finance (including Special Products) transactions as well as restructuring/workout cases and Debt-to-Equity positions generated in the course of restructuring activities as well as for the assessment, approval and daily management of Country Risks and cross-border credit risk-taking.

From October 1st, 2016, following the transfer of the CEE Division from UniCredit Bank Austria AG to UniCredit S.p.A, the "CRO CEE" department has been set up, directly reporting to the "Group CRO", and breaking down in the "Underwriting CEE", "Monitoring & Special Credit CEE" and "Credit Risk CEE" units, responsible for managing and controlling the activities of credit operations as well as for managing the credit risks belonging to the CEE perimeter. In parallel, the above mentioned functions within the Group Risk Management, having responsibilities at Group level, enlarged their responsibilities by acting also on the CEE perimeter.

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

With reference to the Italian perimeter of UniCredit S.p.A. ("Italy" and "CIB Italy"), organizational changes led to merge structures which were part of Risk Management Italy into the Holding Company functions in order to further enhance reporting consistency between central and local functions and to have a unique entry point with the Regulator in UniCredit S.p.A. for both Group and Italian perimeter. Consequently, the "CRO Italy" department, reporting to the "Group CRO" is responsible for managing credit, operational and reputational risks through the coordination and management of credit underwriting activities for UniCredit S.p.A. customers, as well as the overseeing of the post-decision phases of the credit process and the coordination and management of restructuring and workout files of the Italian perimeter of UniCredit S.p.A. The department comprises the following structures:

- the "Credit Underwriting" department, responsible for credit underwriting activities related to the "Central Credit Risk Underwriting Italy", "Territorial Credit Risk Underwriting Italy", "Territorial Credit Risk Underwriting Special Portfolio Italy" departments and to Consumer and mortgage non-banking products and post-sales phases. The structure is also responsible for the administrative management of the Credit Committees activities within the Italy perimeter;
- the "Loan Administration" department, responsible for the post-sales credit activities, for providing assistance for technical legal problems and for the operative credit risk control related to medium/long term activities, guarantees, contracts and also for managing activities relating to subsidized loans. The department is furthermore responsible for the supporting activities with regards to SACE agreements;
- the "Special Credit" department, responsible for coordinating and managing positions undergoing non-revoked doubtful (i.e. doubtful loans with active credit line) and for workout activities for the Italian perimeter of UniCredit S.p.A. (e.g. "Italy" and "CIB Italy") under its perimeter of responsibility, identifying and controlling the implementation of the interventions aimed to the cost of risk reduction as well as for the management of the administrative/ accountable activities of competence according to the current rules and managing potential Debt-to-Equity and Debt-to-Asset transactions as well as the resulting shareholdings within its perimeter of competence;
- the "Restructuring Italy" department, responsible for coordinating and guiding the management of positions (assessing and making decisions within the limits of its assigned powers - or formulating the related proposal to the competent decision-making Bodies) undergoing restructuring, with reference to customers in the Italian perimeter of UniCredit S.p.A. (e.g. "Country Chairman Italy" and "CIB Italy"), also monitoring compliance with the agreements set forth in the restructuring plan and any covenants established and managing potential Debt-to-Equity and Debt-to-Asset transactions as well as the resulting shareholdings within its perimeter of competence;
- the "Credit Monitoring" department, responsible for coordinating, heading and managing the monitoring activities for all customers within the Italian perimeter of UniCredit S.p.A. In particular, the structure ensures the quality of the loan portfolio through performance monitoring of the positions, risk analysis and identification of corrective measures; oversees the "IO-WR" or "non-revoked doubtful" positions in order to confirm – with a periodically check - the existence of characteristics related to the classification itself as provided by Supervisory Authorities regulation; coordinates and leads the monitoring activities performed by central and network structures, as well as "Customer Recovery" department; guarantees the proper execution of the decision making activities carried out by central and network structures, as well as "Customer Recovery" department; supports the Business functions in monitoring the credit portfolio of the territorial areas, analyzing the performance and implementing the corrective measures required.

Furthermore, with respect to credit risk, the following Transactional Committees are active:

- the "Group Credit Committee", in charge of discussing 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 related to Debt Capital Markets on Trading book, single issuer exposures limits on Trading book, Debt to Equity transactions and transactions related to Equity participations deriving from Debt to Equity transactions;
- the "Group Transactional Credit Committee", with approval function, within the delegated powers (decision-making and/ or issuing of non-binding opinions to the Group Legal Entities) and / or consulting function for files to be approved by upper Bodies, for credit proposals referring to all files, including *restructuring / workout* ones, status classification of files relevant strategies and corrective actions to be taken for *watch-list files*, single issuer exposure limits on Trading book, Debt to Equity transactions and / or actions/rights-execution related 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;
- the "Italian Transactional Credit Committee" has the responsibility – within its assigned sub-delegations of powers for credit activities and the related thresholds – to evaluate 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 counterparts UniCredit SpA . The "Italian Transactional Credit Committee" carries out, moreover, consulting function for files to be approved by upper Bodies;
- the "Italian Special & Transactional Credit Committee" has the responsibility – within its assigned credit decision making powers and the related thresholds – to evaluate 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 counterparts UniCredit S.p.A.;
- the "Group Rating Committee" is responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

### Governance and policies

Specific credit governance rules define the allocation of responsibilities and mechanisms of interaction between the Holding Company and the Group Legal Entities with respect to credit risk management topics and ensure compliance of the overall Group Credit Risk Management framework with the regulatory framework to which the Holding Company is subject to. In this context, the Holding Company is assigned with the role of guidance, support and control for 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 particular, Group Legal Entities are required to request the Group Risk Management function's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

According to the role assigned to the Holding Company, specifically to the Group Risk Management function under Group governance, "General Group Credit Policies" define group-wide rules and principles for guiding, governing and standardizing the credit risk assessment and management, in line with the regulatory requirements and Group best practice.
The general rules are supplemented by policies governing specific topics (e.g. business areas, segment activities, type of counterpart/transaction). Such policies are divided into two categories:

- policies on group-wide topics, drafted and issued by the Holding Company and sent to all the Legal Entities. Some examples are the policies on FIBS counterparties (Financial Institutions, Banks and Sovereigns), on Country Risk Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on underwriting risk limits for Syndicated Loans portfolio, on Commercial Real Estate Financing (CREF) and on Structured Trade and Export Finance (STEF);
- policies developed locally by single Legal Entitles. Such documents provide detailed credit rules for specific regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific Legal Entity perimeter.

At both Legal Entity and Holding Company level, the policies (if necessary) are further detailed through operative instructions, describing specific guidelines and instructions for the day-by-day activities.

Credit Policies have generally a static approach and are revised when necessary. Therefore, they need to be supplemented with Credit Risk Strategies that are updated at least annually and define customers/products, industry segments and geographical areas that form the target of the Legal Entity/the Group's relevant credit business.

## Management and Measurements method

Credit Risk generally represents the risk of losses of the value of a credit exposure arising from an unexpected worsening of the counterparty's credit quality.

For the purpose of credit risk measurement, credit risk is defined as the risk of incurring losses arising from the possibility that a counterparty, a borrower or an issuer of a financial obligation (bond, note, etc.) is not able to repay interest and/or principal or any other amount due (default risk). In a broader sense, credit risk can also be defined as potential losses arising either from a default of the borrower/issuer or a decrease of the market value of a financial obligation due to a deterioration in its credit quality. Since December 2015, UniCredit Group has been introducing migration risk as a component of economic capital measured in the credit portfolio model. The perimeter of migration risk covers the most material and liquid assets: Sovereign, non-SME corporates including Financials, securitizations and project finance. The remaining assets are covered by default risk as usual: the selection reflects more reliably the business model by applying migration risk where value changes impact the P/L or are factored in business strategies (i.e. application for instruments such as bonds, loans and derivatives belonging to corporates, financial and sovereign counterparties). For Available for Sale/Fair Value Option positions in the banking book, migration risk is already covered by spread VaR in market risk and to avoid double counting these assets are excluded from migration risk assessment in Group Credit Portfolio Model.

Credit risk is measured by single borrower/transaction and for the whole portfolio. The tools and processes used for lending to single borrowers during both the approval and monitoring phases include a credit rating process, which is differentiated by customer segment/product to ensure maximum effectiveness.

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 organizational structure, etc.), regional and industry factors and counterpart behavior within the Legal Entity and the banking system (e.g.,"Centrale dei Rischi"), and results in a rating, i.e. the counterpart's probability of default (PD) on a one-year time horizon.

Regular monitoring focuses on the borrower's performance management, using all available internal and external information in order to arrive at a synthetic assessment of the risk associated to each monitored customer. This synthesis is obtained using a statistical function that summarizes available information using a set of proven significant variables that are predictors of an event of default within a 12-months horizon.

The internal rating, or risk level assigned to the customer/transaction, is considered in the delegated credit approval powers. In other words, at a constant credit amount the approval powers granted to the competent Bodies are gradually reduced in proportion to an increased borrower-/transaction-related risk level. The organizational model includes also a dedicated function, which is separated from loan approval and business functions and is responsible for the management of the so-called rating overrides, i.e. any changes to the automatic rating calculated by the model. Each borrower's credit rating is reviewed at least annually on the basis of new/updated information. Each borrower is also assessed in the context of the economic group with which it is affiliated by, as a general rule, taking into account the theoretical maximum risk for the entire economic group.
In addition to one-year horizon risk parameters, multi-period risk parameters are estimated according to a point-in-time and forward looking perspective allowing for compliance with recent updates of accounting principles and a more robust risk adjusted performance evaluation.

Besides the methodologies summarized in the rating systems, the Risk Management function uses portfolio models enabled to measure credit risk on an aggregated portfolio basis and, at the same time, to identify sub-portfolio, or single obligor contributions to the overall risk position. There are three fundamental portfolio credit risk measures that are calculated and evaluated on a one-year time horizon:

- Expected Loss (EL);
- Credit Value at Risk (Credit VaR);
- Expected Shortfall (ES).

In order to derive the Credit VaR of the portfolio, the portfolio loss distribution is specified; it is represented by the probabilities of getting different values of the portfolio loss on the given time horizon ("discrete loss case"). The loss associated to a specific probability is the product of the percentage of losses given default (LGD) and exposures at default (EAD) of the single obligors, considering the correlations among the defaults.

The Expected Loss (EL) at portfolio level represents the aggregated average loss of the portfolio due to potential defaults of the obligors. The EL of the portfolio is just the sum of the single obligor ones, which can be evaluated as the product of PD x LGD x EAD for the assets included in default risk, while it is defined as the mismatch between the expected forward price and the forward price at the current obligor credit rating for the assets included in the migration risk parameters. EL is independent from the default correlations in the portfolio and is typically charged as a cost component.

Value at Risk represents the threshold monetary loss overcome only with a given probability level (VaR at 1-α confidence level). Economic Capital is derived from Value at Risk subtracting the expected loss and it is an input for determining Internal Capital set up to cover potential unexpected losses from all risk factors.

VaR is a widely used measure of portfolio risk but it does not provide information on potential losses in case the VaR limit has been exceeded. Such information is provided by the Expected Shortfall (ES) that represents the expected value of losses that exceed the VaR threshold. Portfolio credit VaR and ES strongly depend on default correlation and can be reduced by proper portfolio diversification.

The credit portfolio models produce also measures of economic capital reallocated by individual borrowers within each portfolio and are the basis for risk-adjusted performance measures. The measures of economic capital (Credit VaR based) 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 one of the tools used for the analysis of stress tests of the credit portfolio, starting from macroeconomic variables that affect the various customer segments, by country, size, etc.
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 systems and data quality. The aim is to give evidence of the systems compliance, highlighting improvement areas as well as possible misalignments in the methodologies, which could limit the full comparability among the resulting risk measures.
The internal Credit VaR model is also subject to assessment in the context of Basel Pillar 2 validation.

Credit economic capital estimation is available on a unique technological platform ("CPM") and a common methodology for Holding functions and several Legal Entities of UniCredit Group. The roll out of CPM across CEE Legal Entities allows to cover most of the relevant geographies.

To evaluate the effectiveness of securitizations in transferring credit risk, a tool (Structured Credit Risk Analyzer) has been developed. It allows to simulate credit losses in collateral portfolios and allocate the resulting losses to the tranches which characterize the liability side of the securitization, both for cash and synthetic structure types (where credit risk is transferred via credit derivatives).

### Credit Strategies and Concentration Risk

Group credit risk strategies are an effective instrument for governing credit risk, contributing to the setting of the Group ambitions within the budget process in coherence with the Group Risk Appetite, of which they are an integral part. Being the concrete deployment of the Group Risk Appetite metrics, credit risk strategies constitute also an operational tool. Starting from the macroeconomic and credit scenario, the outlook at industry level and the business strategy initiatives, credit risk strategies define a set of guidelines and operative targets for all the Group countries and business lines. The aim is to identify their risk profile and to steer the Group growth coherent with that.

Portfolio risk management pays special attention to credit concentration risk, defined as any single exposure or group of exposures with the potential to generate losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations, and requires that banks have in place effective internal policies, systems and controls to identify, measure, monitor, and control their credit concentrations risk.

UniCredit Group, in coherence with the regulatory framework manages credit concentration risk through dedicated limits which represent the maximum risk the Group is willing to accept towards:

- individual counterparties or group of related counterparties (single name bulk risk);
- counterparties in the same economic sector (industry concentration risk).

Stress test simulations are a comprehensive part of credit risk strategies definition. With the stress test procedure it is possible to estimate some risk parameters like Probability of Default, Expected Loss, Economic Capital and Risk Weighted Asset under the assumption of an adverse macroeconomic and financial scenario. Stressed parameters are used not only for regulatory purposes, but also as managerial indicators about the portfolio vulnerability of a single Legal Entity, business line, industry/regional area, customer group and other relevant cluster, conditioned by the downturn of the economic cycle.

In compliance with regulatory requirements, stress tests are performed on an on-going basis on updated stressed scenarios and are communicated to the senior management as well as to the Supervisory Authority. In addition to the regular stress test, ad hoc stress test simulations are performed on specific request by the Supervisory Authority.

## Credit Risk Mitigation Techniques

UniCredit Group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistent with the "Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and amending Regulation ((EU) No 648/2012, the Group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, Foundation IRB or Advanced IRB) both for internal use in operations and for the purposes of calculating the credit risk capital requirement.

With specific reference to credit risk mitigation, general guidelines are in force, issued by the Holding Company, defining group-wide rules and principles with the aim to guide, govern and standardize the credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements.

Following the General Group Credit Risk Mitigation Guidelines, all Legal Entities have adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to each Country's local legal system.

Collateral management assessments and credit risk mitigation compliance verifications 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.

Accordig to credit policy, collaterals or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason, in addition to the overall analysis of the credit worthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Group's Legal Entities, primarily include real estate, both residential and commercial, financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS)). Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common. The Group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, which widely 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 formalized 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.

When accepting a credit risk mitigation technique, UniCredit group emphasizes 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.

In case of collaterals, the process of valuation is based on precautionary principles, with reference to the use of "market values" and to the application of adequate haircuts to ensure that, in case of liquidation, there are no unexpected losses. Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met over the time.

## Reporting and Monitoring

The fundamental objective of the reporting and monitoring activities performed by the Group Risk Management function is the analysis of the main drivers and parameters of credit risk (exposure, portfolio mix, asset quality, cost of risk, shortfall, etc.) in order to promptly initiate any countermeasures on portfolios, sub-portfolios or individual counterparties. The reporting provides a managerial tool for supporting decision-making process in the management and mitigation of risks.

Group Risk Management function performs credit risk reporting at portfolio level, producing reports at Group level, both recurring and specific (on demand of Top Management or Regulators or external entities, e.g. rating agencies) with the objective of analyzing the main risk components and their development over time, and thus to detect any signals of deterioration at an early stage and, subsequently, to put in place the appropriate corrective actions. Credit portfolio performance is analyzed with reference to its main risk drivers (such as growth and risk indicators), customer segments, regions, industrial sectors, and impaired credits performance and relevant coverage.

Portfolio reporting activities are performed at Group level in close collaboration with the Chief Risk Officers at Legal Entities level and Credit Risk Portfolio Managers who, within their respective perimeters, implement specific reporting activities. At Group level, the reporting and monitoring activities are assigned to two different functions within the “Group Credit and Integrated Risks” Department. The “Group Credit Risk Data Initiatives, Standards and Reporting” function is responsible for defining the requirements of data analysis systems used for reporting purposes and the Group credit risk reporting framework, producing standard reports on credit risk as well as defining the reporting taxonomy. Furthermore, it is one of the interfaces with “Group Regulatory Reporting” department for second level controls on supervisory reports. The “Risks Assessment & Monitoring” unit, instead, is responsible for analyzing and monitoring the Credit Portfolio composition and riskiness in terms of main risk drivers at Group/Legal Entities/ Division level, by providing to the competent Planning & Finance structures the useful information to highlight delta versus budget/forecast. It is also in charge of producing regular analyses in order to provide to Top Management an integrated view on Group risks, as well as documents for rating agencies, investors and “ad hoc” requests coming from external organizations.

Already starting from 2011 and 2012, reporting activities had been additionally refined through the intensive fine-tuning activity of data collection and consolidation processes. This led to a significant improvement in terms of quality of the information reported in consolidated reports such as, for example, the “ERM - Enterprise Risk Management Report”, as well as the “Risk Assessment” addressed to Top Management. Furthermore, portfolio and business segment reporting units also helped to monitor credit risk exposure within their areas of responsibility. In 2014 and 2015 activities started aiming to improve the qualitative information at disposal in terms of completeness, reconciliation, granularity and timeliness of the information in order to optimize the reporting already existing and according to provisions issued by Basel Committee on Banking Supervision (Paper BCBS n. 239) requiring to Global Systemically Important Financial Institutions (G-SIFIs) the adoption of principles to assure a proper risk data aggregation and an efficient reporting process.

In the framework of a dedicated project (“PERDAR”), deployed in 2014, with the aim to guarantee the compliance to these principles, selected activities have been implemented in order to strengthen the Group governance of risk reporting. Among these activities, it is worth mentioning the issuance of internal regulations that define the risk reporting production process as well as the Group risks’ taxonomies.

All monitoring activities that aim at identifying and reacting in a timely manner to possible deterioration in the asset quality of the Group’s counterparties were further enhanced with dedicated functions of the Group Risk Management that deal with the reporting activities aimed at analyzing the main components of this risk and their temporal evolution, in order to be able to detect promptly any symptoms of deterioration and, therefore, take appropriate corrective actions.

# Credit risk: write-downs

## Definition of impaired and past-due exposures

According to Bank of Italy regulations, set out in Circular no. 272 of 30 July 2008 and subsequent updates, loans classified as 'impaired' based on the characteristics set out in paragraphs 58-62 of IAS 39, correspond to the category Non-Performing Exposures as defined by ITS EBA (EBA/ITS /2013/03/rev1 24/7/2014).
In particular, the EBA has defined Non-performing exposures as those that satisfy one or both of the following criteria:

- material exposures past-due by more than 90 days;
- exposures for which the bank considers it unlikely that the debtor can entirely fulfil its credit obligations, without proceeding with the enforcement and realisation of collateral, regardless of whether exposures are past due and regardless of number of days past due.

In addition the mentioned EBA standards have introduced the definition of "forborne" exposures, i.e. debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"), i.e. modifications of the previous contractual terms and conditions or total or partial refinancing.
Forborne exposures may be classified in the risk category of non -performing loans (bad loans, unlikely-to-pay, past-due impaired) or performing loans. With reference to the assessments of impairment and provisions for Forborne exposures, the accounting policies applied are in line with the general criteria in accordance with IAS 39 requirements.

The same Circular 272 further classifies non-performing exposures in the following categories:

- **Bad loans**: refers to on-balance sheet and off-balance sheet exposures that are formally considered as uncollectable, towards borrowers that are in insolvency (even not judicially ascertained) or an equivalent situation. The impairment loss assessment is performed in general on analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). In case of not significant amounts, the assessment of impairment loss is performed on a collective basis aggregating similar exposures.
- **Unlikely to pay**: refers to on-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realization of collateral) to repay fully his credit obligation (principal and/or interest). The classification within the unlikely to pay category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidences of a debtor's risk of default. The impairment loss assessment is performed in general on analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.
  The exposure classified as unlikely to pay and qualified as forborne can be reclassified back to performing loans only after one year since the forbearance measure has been granted and provided that the conditions set for in paragraph 157 of the Implementing Technical Standard of EBA are met. With reference to their provisioning:
    - measurement is performed in general on a loan-by-loan basis and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate;
    - loans under renegotiation involving a debt/equity swap are valued, pending swap finalization, on the basis of the conversion agreements entered into on the balance-sheet date. Any differences between the value of the loans and the fair value of the shares at the initial recognition are taken to profit and loss as write-downs.
- **Impaired past-due**: they are on-balance-sheet exposures, other than those classified among bad loans or unlikely to pay, which, at the reference date, have amounts that are past-due or over limits. Impaired past-due amounts can be determined making reference, alternatively, to the single debtor or to the single transaction. In particular, they include the total exposure to any borrower not included in the categories of bad loans or unlikely to pay, which at the balance-sheet date has expired facilities or unauthorized overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks, that adopt standardized approach) or under the "defaulted exposures" category (IRB banks). Overdue exposures are valued using a statistical approach based on historical data, applying where available the degree of risk as measured by the risk factor used for Regulation (EU) n. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms reporting (LGD – Loss given default).

# Description of methodology applied to determine write-downs

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized on the date of disbursement to the borrower which may coincide with the date of contract signing.

These items include debt instruments with the above characteristics (included host contract of hybrid instruments from which an embedded derivative has been bifurcated) or those subject to portfolio reclassification in accordance with the rules of IAS39 (see Part A.3.1 below - Transfers between portfolios) and the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

After initial recognition at fair value, which is usually the price paid including transaction costs and income directly attributable to the acquisition or issuance of the financial asset (even if not yet paid), a loan or receivable is measured at amortized cost, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process.

A gain or loss on loans and receivables is recognized in profit or loss:

- when a loan or receivable is derecognized due to its disposal, in item “100. Gains (losses) on disposal and repurchase of: a) loans”;

or

- when a loan or receivable is impaired (or the impairment loss previously recognized is reversed) in item “130. Net losses/recoveries on impairment: a) loans”.

Interest on loans and receivables is recognized in profit or loss on an accrual basis by using the effective interest rate method under item “10. Interest income and similar revenue”.

Delay interest is taken to the income statement on collection or receipt.

Loans and receivables are reviewed in order to identify those that, following events occurring after initial recognition, show objective evidence of possible impairment. These impaired loans are reviewed and analyzed periodically at least once a year.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the rate used that, coherently with portfolio business management model, can refer also to market operations.
The amount of the loss on impaired exposure classified as bad loans and unlikely to pay, according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset. If the original rate is not directly available, or if obtaining it is too burdensome, its best approximation will be applied.

For all fixed rate positions the interest rate so determined is kept constant also in subsequent financial years, while for floating rate positions the interest rate is updated on the basis of the contractual terms.
If the original rate cannot be directly found, or if finding it would be excessively onerous, the best estimation of it, even using of practical expedients that do not alter the substance and the coherence with international accounting standards, are applied.

Recovery times are estimated on the basis of business plans or in forecasts based on historical recovery experience observed for similar classes of loans, taking into account the segment of the customers, the type of loan, the type of security and any other factors considered relevant or, if necessary conditions, of expected market transactions.

Any subsequent change vis-à-vis initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognized in profit or loss in item “130. Net losses/recoveries on impairment a) loans”.

Write-downs of impaired loans are classified as specific in the relevant income statement item even when the calculation is flat-rate or statistical, as indicated below.

When the reasons for the impairment no longer exist, and this assessment is objectively attributable to an event such as an improvement in the debtor’s credit worthiness occurred after the impairment, a reversal is made in the same profit or loss item, within the amount of the amortized cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety (write-off) is made when the legal rights on the loan have failed or the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognized directly in profit or loss under item 130 “Net losses/recoveries on impairment a) loans” and reduce the amount of the principal of the loan or receivable. Reversals of all or part of amounts previously written off are recognized in the same item.

With reference to the tables related to “changes in overall impairment” below, total increases and total reductions differ from the corresponding information reported in the "Balance sheet Non-performing credit exposures: change in overall impairments" table on page 87, due to inter-sector reclassification in customers categorization.

**Balance sheet credit exposure to customers: gross change in impaired exposures - Bad loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | Non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Opening Balance - gross exposure** | **38,348** | **481,342** | **1,548,830** | **14,905** | **34,788,013** | **16,013,047** | **269,010** | **53,153,495** |
| | | | | | | | | |
| **B. Increases** | **1,596** | **12,422** | **297,671** | **4,772** | **6,119,923** | **2,739,841** | **125,210** | **9,301,435** |
| B1. transfers from performing loans | - | 95 | 114,833 | 1,779 | 1,299,565 | 183,948 | 40,654 | 1,640,874 |
| B2. transfers from impaired exposure | 28 | 11,576 | 164,119 | 385 | 3,619,996 | 2,086,148 | 867 | 5,883,119 |
| B3. transfers from other sectors | - | - | - | - | 78,748 | 2,733 | - | 81,481 |
| B4. other increses | 1,568 | 751 | 18,719 | 2,608 | 1,121,614 | 467,012 | 83,689 | 1,695,961 |
| **C. Reductions** | **-1,822** | **-351,218** | **-445,586** | **-7,593** | **-6,075,762** | **-4,260,925** | **-357,021** | **-11,499,927** |
| C1. transfers to performing loans | - | - | -58,236 | -1,741 | -219,752 | -47,145 | -69,927 | -396,801 |
| C2. derecognized items | -2 | -23,137 | -170,425 | -1,054 | -2,591,850 | -1,993,750 | -37,091 | -4,817,309 |
| C3. recoveries | -1,820 | -319,307 | -83,664 | -2,968 | -2,178,832 | -625,379 | -2,915 | -3,214,885 |
| C4. sales proceeds | - | -5,617 | -29,406 | - | -585,168 | -148,060 | -1 | -768,252 |
| C4 bis. losses on disposal | - | -2,404 | -19,783 | - | -106,801 | -75,522 | -227 | -204,737 |
| C5. transfers to other impaired exposures | - | -50 | -2,737 | - | -106,959 | -85,901 | -1,853 | -197,500 |
| C5 bis. trasfer to other sectors | - | - | -79,652 | -1,830 | - | - | - | -81,482 |
| C6. other reductions | - | -703 | -1,683 | - | -286,400 | -1,285,168 | -245,007 | -1,818,961 |
| **D. Closing balance - gross exposure** | **38,122** | **142,546** | **1,400,915** | **12,084** | **34,832,174** | **14,491,963** | **37,199** | **50,955,003** |

**Balance sheet credit exposure to customers: changes in overall impairment - Bad Loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. total opening writedowns** | **-16,423** | **-141,641** | **-1,120,421** | **-7,409** | **-21,669,289** | **-9,279,595** | **-167,867** | **-32,402,645** |
| | | | | | | | | |
| **B. Increases** | **-19,851** | **-12,105** | **-234,021** | **-750** | **-9,212,974** | **-3,713,345** | **-132,585** | **-13,325,631** |
| B1. write downs | -19,375 | -8,913 | -221,381 | -699 | -7,270,974 | -3,037,512 | -118,384 | -10,677,238 |
| B1bis. losses on disposal (+) | - | -2,404 | -21,741 | - | -104,843 | -75,522 | -227 | -204,737 |
| B2. transfers from other impaired exposure | -7 | -486 | -65,901 | -38 | -1,437,603 | -376,582 | -10,690 | -1,891,307 |
| B3. Transfers from other sectors | - | - | - | -6 | -24,018 | -241 | - | -24,265 |
| B4. other increses | -469 | -302 | 75,002 | -7 | -375,536 | -223,488 | -3,284 | -528,084 |
| **C. Reductions** | **9,212** | **106,042** | **268,707** | **2,431** | **4,465,125** | **3,266,176** | **260,468** | **8,378,161** |
| C1. write backs from assessments | 8,200 | 3,088 | 13,324 | 260 | 589,518 | 277,638 | 67,157 | 959,185 |
| C2. write backs from recoveries | 14 | 73,700 | 53,968 | 1,095 | 907,286 | 213,412 | 52,666 | 1,302,141 |
| C2 bis. gain on disposal (-) | - | 635 | 5,226 | - | 42,967 | 21,452 | 114 | 70,394 |
| C3. write-offs | 998 | 25,568 | 171,130 | 1,076 | 2,642,301 | 1,974,024 | 2,212 | 4,817,309 |
| C4. transfers to other impaired exposures | - | 25 | 61 | - | 47,540 | 53,242 | 12,210 | 113,078 |
| C5. trasfer to other sectors | - | - | 24,265 | - | - | - | - | 24,265 |
| C6. other reductions | - | 3,026 | 733 | - | 235,513 | 726,408 | 126,109 | 1,091,789 |
| **D. Final gross writedowns** | **-27,062** | **-47,704** | **-1,085,735** | **-5,728** | **-26,417,138** | **-9,726,764** | **-39,984** | **-37,350,115** |

(*) Changes due to minor Legal Entities and consolidated adjustments

**Balance sheet credit exposure to customers: gross change in impaired exposures - Unlikely to Pay Loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | Non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Opening Balance - gross exposure** | **697** | **82,842** | **1,042,695** | **1,886** | **21,225,020** | **4,424,674** | **73,869** | **26,851,683** |
| | | | | | | | | |
| **B. Increases** | **193,608** | **13,886** | **95,633** | **2,237** | **10,073,884** | **1,520,343** | **139,566** | **12,039,157** |
| B1. transfers from performing loans | 193,411 | 6,520 | 97,767 | 2,232 | 3,989,832 | 854,034 | 6,303 | 5,150,099 |
| B2. transfers from impaired exposure | 16 | 5,357 | 390,939 | 1 | 1,826,549 | 546,332 | 4,893 | 2,774,087 |
| B3. transfers from other sectors | - | - | 144,802 | - | 1 | 909 | - | 145,712 |
| B4. other increses | 181 | 2,009 | -537,875 | 4 | 4,257,502 | 119,068 | 128,370 | 3,969,259 |
| **C. Reductions** | **-9,277** | **-11,386** | **-420,790** | **-625** | **-11,391,169** | **-2,399,002** | **-130,063** | **-14,362,312** |
| C1. transfers to performing loans | - | -26 | -20,832 | -286 | -877,168 | -168,249 | -953 | -1,067,514 |
| C2. derecognized items | -6 | -416 | -35,062 | -5 | -634,300 | -45,624 | -449 | -715,862 |
| C3. recoveries | -1,297 | -7,936 | -211,144 | -160 | -4,820,010 | -388,506 | -2,683 | -5,431,736 |
| C4. sales proceeds | - | - | - | - | -228,635 | -15,186 | -457 | -244,278 |
| C4 bis. losses on disposal | - | - | - | - | -9,523 | -7,429 | 0 | -16,952 |
| C5. transfers to other impaired exposures | -32 | -924 | -142,444 | -174 | -4,130,037 | -1,307,788 | -1,132 | -5,582,531 |
| C5 bis. trasfer to other sectors | - | - | -1 | - | -145,711 | - | - | -145,712 |
| C6. other reductions | -7,942 | -2,084 | -11,307 | - | -545,785 | -466,220 | -124,389 | -1,157,727 |
| **D. Closing balance- gross exposure** | **185,028** | **85,342** | **717,538** | **3,498** | **19,907,735** | **3,546,015** | **83,372** | **24,528,528** |

**Balance sheet credit exposure to customers: changes in overall impairment - Unlikely to Pay Loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. total opening writedowns** | **-271** | **-23,472** | **-358,920** | **-273** | **-7,526,575** | **-1,280,082** | **-1,069** | **-9,190,662** |
| | | | | | | | | |
| **B. Increases** | **-5,714** | **-8,604** | **-406,326** | **-113** | **-4,301,078** | **-764,535** | **-189,498** | **-5,675,868** |
| B1. write downs | -4,795 | -6,359 | -324,275 | -113 | -3,761,838 | -507,004 | -177,215 | -4,781,599 |
| B1 bis. losses on disposal | - | - | - | - | -9,523 | -7,429 | - | -16,952 |
| B2. transfers from other impaired exposure | - | -436 | -35,585 | - | -280,258 | -154,752 | -5,908 | -476,939 |
| B3. Transfers from other sectors | - | - | -7,868 | - | -2 | -135 | - | -8,005 |
| B4. other increses | -919 | -1,809 | -38,598 | - | -249,457 | -95,215 | -6,375 | -392,373 |
| **C. Reductions** | **1,234** | **3,070** | **151,120** | **234** | **3,222,250** | **805,812** | **113,811** | **4,297,531** |
| C1. write backs from assessments | 36 | 964 | 8,875 | 101 | 248,708 | 83,920 | 14,385 | 356,989 |
| C2. write backs from recoveries | 397 | 364 | 28,899 | 100 | 665,319 | 73,799 | 66,352 | 835,230 |
| C2 bis. gain on disposal | - | - | - | - | 35,493 | - | - | 35,493 |
| C3. write-offs | 290 | 416 | 35,019 | 5 | 629,395 | 45,661 | 5,076 | 715,862 |
| C4. transfers to other impaired exposures | 7 | 489 | 69,135 | 23 | 1,395,969 | 319,959 | 8,812 | 1,794,394 |
| C5. trasfer to other sectors | - | - | 2 | 4 | 7,896 | 103 | - | 8,005 |
| C6. other reductions | 504 | 837 | 9,190 | 1 | 239,470 | 282,370 | 19,186 | 551,558 |
| **D. Final gross writedowns** | **-4,751** | **-29,006** | **-614,126** | **-152** | **-8,605,403** | **-1,238,805** | **-76,756** | **-10,568,999** |

(*) Changes due to minor Legal Entities and consolidated adjustments

**Balance sheet credit exposure to customers: gross change in impaired exposures - Past due Loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Opening Balance - gross exposure** | **27,085** | **12,299** | **193,517** | **214** | **1,231,669** | **1,353,316** | **36,158** | **2,854,258** |
| | | | | | | | | |
| **B. Increases** | **6,428** | **95,053** | **29,004** | **197** | **2,738,420** | **1,284,538** | **12,295** | **4,165,935** |
| B1. transfers from performing loans | 6,363 | 66,870 | 51,661 | 193 | 2,524,086 | 1,147,856 | 1,364 | 3,798,393 |
| B2. transfers from impaired exposure | 0 | 5 | 6,536 | 0 | 31,572 | 55,580 | 68 | 93,761 |
| B3. transfers from other sectors | 0 | 26,230 | 0 | 0 | 1 | 190 | 0 | 26,421 |
| B4. other increses | 65 | 1,948 | -29,193 | 4 | 182,761 | 80,912 | 10,863 | 247,360 |
| **C. Reductions** | **-32,790** | **-94,794** | **-201,330** | **-248** | **-3,351,758** | **-1,675,390** | **-44,554** | **-5,400,864** |
| C1. transfers to performing loans | -6,408 | -37,435 | -86,786 | -5 | -1,149,473 | -422,376 | -230 | -1,702,713 |
| C2. derecognized items | 0 | 0 | -1 | -17 | -7,622 | -6,521 | -17 | -14,178 |
| C3. recoveries | -28 | -46,075 | -54 | -11 | -119,819 | -34,245 | -19,603 | -219,835 |
| C4. sales proceeds | 0 | 0 | 0 | 0 | -1,606 | -8,038 | -1 | -9,645 |
| C4 bis. losses on disposal | 0 | 0 | 0 | 0 | 0 | -286 | 0 | -286 |
| C5. transfers to other impaired exposures | -16 | -5,861 | -107,576 | -212 | -1,747,917 | -1,108,719 | -631 | -2,970,932 |
| C5 bis. trasfer to other sectors | -26,230 | 0 | -1 | 0 | -798 | 608 | 0 | -26,421 |
| C6. other reductions | -108 | -5,423 | -6,912 | -3 | -324,523 | -95,813 | -24,072 | -456,854 |
| **D. Closing balance-gross exposure** | **723** | **12,558** | **21,191** | **163** | **618,331** | **962,464** | **3,899** | **1,619,329** |

**Balance sheet credit exposure to customers: changes in overall impairment - Past due Loans** (€000)

| Source/Industry | 2016 CHANGES Governmets | Other public entities | Financial companies | Insurance companies | non-financial companies | Other entities | Other Legal entities (*) | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Total opening writedowns** | **-1,578** | **-1,114** | **-80,841** | **-19** | **-97,026** | **-564,260** | **-12,534** | **-757,372** |
| | | | | | | | | 0 |
| **B. Increases** | **-56** | **-4,023** | **17,770** | **-89** | **-335,119** | **-223,203** | **-46,033** | **-590,753** |
| B1. write downs | -56 | -2,584 | -6,404 | -72 | -208,772 | -163,727 | -21,320 | -402,935 |
| B1bis. losses on disposal | 0 | 0 | 0 | 0 | 0 | -286 | 0 | -286 |
| B2. transfers from other impaired exposure | 0 | -3 | -2,199 | 0 | -6,631 | -14,279 | -60 | -23,172 |
| B3. Transfers from other sectors | 0 | -1,398 | 0 | -17 | 0 | -3 | 0 | -1,418 |
| B4. other increses | 0 | -38 | 26,373 | 0 | -119,716 | -44,908 | -24,653 | -162,942 |
| **C. Reductions** | **1,414** | **3,932** | **44,380** | **41** | **310,963** | **412,338** | **42,823** | **815,891** |
| C1. write backs from assessments | 10 | 1,895 | 122 | 0 | 12,020 | 31,879 | 671 | 46,597 |
| C2. write backs from recoveries | 5 | 1,515 | 10,796 | 9 | 27,422 | 78,661 | 9,185 | 127,593 |
| C2 bis. gain on disposal | 0 | 0 | 0 | 0 | 0 | 159 | 1 | 160 |
| C3. write-offs | 0 | 0 | 1 | 17 | 7,541 | 6,602 | 17 | 14,178 |
| C4. transfers to other impaired exposures | 0 | 412 | 29,309 | 15 | 204,091 | 250,103 | 19 | 483,949 |
| C5. trasfer to other sectors | 1,398 | 0 | 17 | 0 | 19 | -16 | 0 | 1,418 |
| C6. other reductions | 1 | 110 | 4,135 | 0 | 59,870 | 44,950 | 32,930 | 141,996 |
| **D. Final gross writedowns** | **-220** | **-1,205** | **-18,691** | **-67** | **-121,182** | **-375,125** | **-15,744** | **-532,234** |

(*) Changes due to minor Legal Entities and consolidated adjustments

With regard to the quantitative information on the purchased impaired loan, reference is made on the Tables 7.1 and 7.2 included in Part B of the Notes to the Consolidated Accounts of Consolidated Financial Statements as of December 31, 2016. Specifically, “purchased impaired loans” refer to impaired loans purchased as part of disposals by third parties other than business combinations.

# Loan Categorization in the risk categories and forborne exposures

With effect from January 1, 2015 Bank of Italy reviewed the classification of impaired loans for regulatory and reporting purposes (7th update of Circular No. 272 of July 30, 2008 - "Accounts Matrix" issued by the Bank of Italy on January 20, 2015), in order to align with the new definitions of “non-performing exposures” and “forborne exposures” set by the EU Regulation 2015/227, in accordance with the EBA standard (EBA/ITS /2013/03/rev1 24/7/2014). These definitions had been introduced with effect on the consolidated harmonised supervisory reporting (FINREP) as of September 30, 2014.
The new classification process:

- allocates impaired loans into the categories of bad loans, unlikely to pay and past-due loans. The total of these classes corresponds to the overall amount of Non-Performing Exposures mentioned in the EBA standards
- eliminates the previous concepts of doubtful and restructured loans;
- introduces the qualification of forborne exposures.

With specific reference to the categories making up the "impaired" loans classes:

- the classification made by the subsidiaries in the different "impaired" classes, must be done in accordance with legal and regulatory provisions issued by the local Supervisory Authorities. In light of the fact that the Parent Company is required to comply with the instructions issued by the Italian supervisory authorities, appropriate measures were adopted with reference to the Group's Foreign Entities, with the aim to reconcile “impaired” classes, otherwise not perfectly mutually homogeneous;
- at Group level, the volume of impaired assets according to the IFRS definition is substantially equivalent to the one for non-performing assets referred to in the EBA standards; potential misalignments might refer especially to the Group's non-Italian Entities, for example with reference to fully collateralised loans.

Despite no significant effect on overall volume of impaired loans resulted from the initial application of the new Circular 272 from January 1, 2015, Forborne non performing exposures trend might be impacted by the changes on the risk classification process arising from the introduction of the EBA standards. These dynamics might be potentially justified by differences in the detailed classification criteria as compared by the previously applicable definitions.
Specifically, in view of the changes in the regulatory and reporting scenario, actions are being taken to align the credit process to the new classification rules, to monitor the dynamics of these exposures, and to ensure reporting to the supervisory authority.

In line with EBA Implementing Technical Standards issued on July 2014 and approved by the European Commission on 9th January 2015, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:

- a concession, either (i) contractual modification or (ii) refinancing is granted in favour of the debtor;
- the debtor is facing or about to face financial difficulties.

The approach adopted by UniCredit Group has enabled the tracking of a concession when:

- the loan is renegotiated through collective agreements, or through internal initiatives supporting certain debtors categories, or through initiatives designed to support the debtor in case of natural disasters;
- the installment/repayment plan of a loan is changed;
- pool loans are subject to renogatiation;
- the loan is subject to a refinancing practice.

Furthermore, during 2016, some type of measures previously not detected have been gradually included on Forborne Exposures perimeter. Nevertheless, in light of the technical complexity deriving from the dynamics of aggregated exposures and in consideration of the use of an approach based on the best estimates possible, the volumes of exposures identified as forborne could differ from those corresponding to a precise application of the new definition.
In order for these concessions to be included within the forborne perimeter, it is necessary, as defined by EBA Standard, to evaluate the existence of financial difficulty of the debtor by means of the verification of specific criteria (Troubled Debt Test). The intrinsic characteristics of each local system entailed in this phase a number of differences in terms of the type of concessions considered and ways of recognizing the state of financial difficulty, even though consistently with the EBA definition.

On September 28, 2016, EBA issued the “Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013”, whose consultation process was concluded on January 22, 2016; the first application of this guidelines is planned for 2021. Simultaneously, EBA issued a new guidelines on the materiality threshold of past due exposures (“Draft Regulatory Technical Standards on the materiality threshold for credit obligations past due under Article 178 of Regulation (EU) No 575/2013”), whose consultation process was concluded on January 31, 2015. As expected by EBA, the National Competent Authorities will define the new rules to determine past due exposures coherently with the threshold ranges provided by EBA in the RTS final paper.

On top of the overall regulatory framework, on November 15 2016, the consultation process launched by ECB on the document “Draft guidelines to Banks on Non Performing Loans” was concluded. Although it is still in a draft version, the Paper provides specific guidance on Non Performing exposures, including detailed recommendation to Banks for the definition of a clear NPL strategy which shall be aligned with the industrial plan and with following risk management actions, ultimately aiming at the reduction of Non Performing exposure stock.

### Breakdown of financial assets by portfolio and credit quality - Forborne exposures (carrying value)

(€ '000)

| PORTFOLIOS/QUALITY | BAD EXPOSURES | UNLIKELY TO PAY | NON-PERFORMING PAST-DUE EXPOSURES | OTHER NON-PERFORMING EXPOSURES | PERFORMING EXPOSURES | TOTAL |
|---|---|---|---|---|---|---|
| 1. Available-for-sale | | | | | | - |
| 2. Held-to-maturity financial | | | | | | - |
| 3. Loans and receivables | - | | | | | - |
| 4. Loans and receivables | 2,182,096 | 6,798,326 | 127,880 | 654 | 6,177,535 | 15,286,491 |
| 5. Financial assets at fair | | 8,413 | | | | 8,413 |
| 6. Financial instruments | 92,801 | 300,166 | 2,024 | | 113,684 | 508,675 |
| **Total 12.31.2016** | **2,274,897** | **7,106,905** | **129,904** | **654** | **6,291,219** | **15,803,579** |
| **Total 12.31.2015** | **2,430,789** | **7,781,114** | **303,821** | **655** | **5,828,479** | **16,344,858** |

See table A.1.6, Part E – Section “Credit Risk”, paragraph “Quantitative information – A. Credit Quality” of the Consolidated Reports and Accounts as at December 31, 2016 for more details about volumes of forborne exposures (by past-due buckets) and “Credit Risk: on/off balance sheet information with customers” table following (by portfolio).

# Information on Sovereign Exposures

With reference to the Group's sovereign exposures[8], the book value of sovereign debt securities as at December 31, 2016 amounted to €125,594 million, of which over 89% concentrated in eight countries; Italy, with €55,243 million, represents about 44% of the total. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at December 31, 2016.

**Breakdown of Sovereign Debt Securities by Country and Portfolio** (€ '000)

| COUNTRY/PORTFOLIO | AMOUNTS AS AT 12.31.2016 | | |
|---|---|---|---|
| | NOMINAL VALUE | BOOK VALUE | FAIR VALUE |
| **- Italy** | **50,660,278** | **55,243,427** | **55,278,435** |
| financial assets/liabilities held for trading (net exposures *) | -262,714 | -127,710 | -127,710 |
| financial assets at fair value through profit or loss | 1,037 | 1,039 | 1,039 |
| available for sale financial assets | 48,596,368 | 52,935,480 | 52,935,480 |
| loans and receivables | 179,093 | 180,178 | 184,476 |
| held to maturity investments | 2,146,494 | 2,254,440 | 2,285,150 |
| **- Germany** | **19,507,436** | **19,882,317** | **19,882,317** |
| financial assets/liabilities held for trading (net exposures *) | 828,954 | 789,780 | 789,780 |
| financial assets at fair value through profit or loss | 16,699,382 | 16,988,003 | 16,988,003 |
| available for sale financial assets | 944,100 | 1,069,193 | 1,069,193 |
| loans and receivables | 1,035,000 | 1,035,341 | 1,035,341 |
| held to maturity investments | - | - | - |
| **- Spain** | **14,831,385** | **16,417,560** | **16,421,387** |
| financial assets/liabilities held for trading (net exposures *) | 29,354 | 18,011 | 18,011 |
| financial assets at fair value through profit or loss | 38,917 | 42,092 | 42,092 |
| available for sale financial assets | 13,980,000 | 15,412,501 | 15,412,501 |
| loans and receivables | - | - | - |
| held to maturity investments | 783,114 | 944,956 | 948,783 |
| **- Austria** | **9,413,106** | **10,422,126** | **10,434,420** |
| financial assets/liabilities held for trading (net exposures *) | 1,440,063 | 1,306,575 | 1,306,575 |
| financial assets at fair value through profit or loss | 301,322 | 400,724 | 400,724 |
| available for sale financial assets | 7,569,517 | 8,611,567 | 8,611,567 |
| loans and receivables | - | - | - |
| held to maturity investments | 102,204 | 103,260 | 115,554 |
| **- France** | **4,148,075** | **4,338,528** | **4,338,528** |
| financial assets/liabilities held for trading (net exposures *) | -255,925 | -356,770 | -356,770 |
| financial assets at fair value through profit or loss | 459,000 | 465,667 | 465,667 |
| available for sale financial assets | 3,945,000 | 4,229,631 | 4,229,631 |
| loans and receivables | - | - | - |
| held to maturity investments | - | - | - |
| **- Czech Republic** | **1,912,973** | **2,219,042** | **2,219,042** |
| financial assets/liabilities held for trading (net exposures *) | -1,155 | 10,505 | 10,505 |
| financial assets at fair value through profit or loss | - | - | - |
| available for sale financial assets | 1,914,128 | 2,208,537 | 2,208,537 |
| loans and receivables | - | - | - |
| held to maturity investments | - | - | - |
| **- Hungary** | **1,674,714** | **2,005,676** | **2,005,676** |
| financial assets/liabilities held for trading (net exposures *) | 54,574 | 52,096 | 52,096 |
| financial assets at fair value through profit or loss | - | - | - |
| available for sale financial assets | 1,620,140 | 1,953,580 | 1,953,580 |
| loans and receivables | - | - | - |
| held to maturity investments | - | - | - |
| **- Bulgaria** | **1,554,427** | **1,675,370** | **1,675,336** |
| financial assets/liabilities held for trading (net exposures *) | -1,374 | -2,141 | -2,141 |
| financial assets at fair value through profit or loss | - | - | - |
| available for sale financial assets | 1,552,898 | 1,674,602 | 1,674,602 |
| loans and receivables | 2,903 | 2,909 | 2,875 |
| held to maturity investments | - | - | - |
| **Total on-balance sheet exposures** | **103,702,394** | **112,204,046** | **112,255,141** |

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

[8] Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies.
- Sovereign exposures of Group's Legal entities classified as held for sale as at December 31, 2016 are not included.
- ABSs are not included.

The weighted duration of the sovereign bonds shown in the table above, divided by the banking[9] and trading book, is the following:

**Weighted duration** (years)

| | BANKING BOOK | TRADING BOOK | |
|---|---|---|---|
| | | asset positions | liabilities positions |
| - Italy | 2.61 | 3.55 | 3.14 |
| - Germany | 2.41 | 6.04 | 4.92 |
| - Spain | 2.66 | 12.53 | 5.25 |
| - Austria | 4.23 | 13.11 | 3.81 |
| - France | 3.65 | 8.67 | 8.21 |
| - Czech Republic | 4.49 | 3.00 | 7.81 |
| - Hungary | 3.82 | 2.42 | 4.25 |
| - Bulgaria | 5.76 | 5.84 | 7.93 |

The remaining 11% of the total of sovereign debt securities, amounting to €13,389 million with reference to the book values as at December 31, 2016, is divided into 47 countries, including Russia (€1,464 million), the US (€484 million), Slovenia (€377 million), Portugal (€103 million), Ireland (€32 million) and Argentina (€6 million). The sovereign exposure to Greece, Cyprus and Ukraine is immaterial.
With respect to these exposures, as at December 31, 2016 there were no indications that impairment may have occurred.
It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 31 December 2016 there are also debt securities towards Supranational Organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €3,658 million.

The table below shows the classification of bonds belonging to the banking book and their percentage proportion of the total of the portfolio under which they are classified.

**Breakdown of Sovereign Debt Securities by Portfolio** (€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | |
|---|---|---|---|---|---|
| | FINANCIAL ASSETS AT FAIR VALUE | AVAILABLE FOR SALE FINANCIAL ASSETS | LOANS | HELD TO MATURITY INVESTMENTS | TOTAL |
| Book value | 20,517,572 | 97,277,937 | 1,245,229 | 3,797,494 | 122,838,232 |
| % Portfolio | 71.49% | 88.29% | 0.24% | 95.82% | 18.55% |

In addition to the exposures to sovereign debt securities, loans[10] given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount as at December 31, 2016 of loans given to countries towards which the overall exposure exceeds €140 million, representing about 95% of the total.

**Breakdown of Sovereign Loans by Country** (€ '000)

| COUNTRY | AMOUNTS AS AT 12.31.2016 BOOK VALUE |
|---|---|
| - Germany (*) | 6,569,781 |
| - Austria (**) | 5,267,333 |
| - Italy | 5,213,611 |
| - Croatia | 2,437,483 |
| - Indonesia | 262,158 |
| - Slovenia | 255,144 |
| - Serbia | 229,443 |
| - Egitto | 185,220 |
| - Bosnia and Herzegovina | 182,986 |
| - Gabon | 179,790 |
| - Bulgaria | 170,355 |
| - Turkey | 159,309 |
| **Total on-balance sheet exposures** | **21,112,613** |

(*) of which 947,209 thousands in financial assets held for trading and those at fair value through profit or loss.
(**) of which 264,547 thousands in financial assets at fair value through profit or loss.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.
For more details on the sensitivity analysis of credit spreads and on the results of stress tests see the "Widespread Contagion", "China Hard Landing" and “Interest Rate Shock” scenarios in chapter Market risk – Stress test, and for liquidity management policies see chapter Liquidity risk.

[9] The banking book includes assets at fair value through profit or loss, available-for-sale assets, held to maturity assets and loans.
[10] Tax items are not included.

## Credit Risk: on/off balance sheet information with banks

(€ '000)

| EXPOSURES/PORTFOLIO | AMOUNTS AS AT 12.31.2016 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BALANCE-SHEET EXPOSURES | | | | | | | | | | | | OFF-BALANCE SHEET EXPOSURES | |
| | FINANCIAL ASSETS HELD FOR TRADING | | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | AVAILABLE FOR SALE FINANCIAL ASSETS | | HELD TO MATURITY FINANCIAL INSTRUMENTS | | LOANS AND RECEVAIBLES WITH BANKS | | NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE | | | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE |
| **A. On-Balance sheet exposure** | | | | | | | | | | | | | | |
| a) Bad exposures | - | - | - | - | - | - | - | - | 56,169 | 752 | 4,079 | - | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 4,673 | - | - | - | | |
| b) Unlikely to pay | - | - | - | - | - | - | - | - | 4,266 | 3,235 | - | - | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - | - | - | | |
| c) Non-Performing past due | - | - | - | - | - | - | - | - | 29 | 3 | - | - | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - | - | - | | |
| d) Performing past-due | - | - | - | - | - | - | - | - | 174,398 | 173,826 | 30 | 30 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - | - | - | | |
| e) Other performing exposures | 3,752,001 | 3,752,001 | 6,074,623 | 6,074,623 | 7,239,653 | 7,239,583 | 80,091 | 80,091 | 76,986,245 | 76,955,021 | 3,131,813 | 3,131,605 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - | - | - | | |
| **Total A** | **3,752,001** | **3,752,001** | **6,074,623** | **6,074,623** | **7,239,653** | **7,239,583** | **80,091** | **80,091** | **77,221,107** | **77,132,837** | **3,135,922** | **3,131,635** | | |
| **B. Off-balance sheet exposure** | | | | | | | | | | | | | | |
| a) Non-Performing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Performing | - | - | - | - | - | - | - | - | - | - | - | - | 45,357,140 | 45,346,211 |
| **Total B** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **45,357,140** | **45,346,211** |
| **Total (A+B) as at 12.31.2016** | **3,752,001** | **3,752,001** | **6,074,623** | **6,074,623** | **7,239,653** | **7,239,583** | **80,091** | **80,091** | **77,221,107** | **77,132,837** | **3,135,922** | **3,131,635** | **45,357,140** | **45,346,211** |

See table A.1.3, Part E – Section “Credit Risk”, paragraph “Quantitative information – A. Credit Quality” of the Consolidated Reports and Accounts as at December 31, 2016 for past-due buckets of forborne exposures.
Pursuant to the instructions given by Bank of Italy in Circular 262 of December 22, 2005 (fourth amendment dated December 15, 2015), the off-balance sheet exposures do not include revocable loan commitments to disburse funds, which amount to € 10,435,375 thousand.

## Credit Risk: on/off balance sheet information with customers

(€ '000)

| EXPOSURES/PORTFOLIO | AMOUNTS AS AT 12.31.2016 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BALANCE-SHEET EXPOSURES | | | | | | | | | | | | OFF-BALANCE SHEET EXPOSURES | |
| | FINANCIAL ASSETS HELD FOR TRADING | | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | AVAILABLE FOR SALE FINANCIAL ASSETS | | HELD TO MATURITY FINANCIAL INSTRUMENTS | | LOANS AND RECEIVABLES WITH CUSTOMERS | | NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE | | | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE |
| **A. On-Balance sheet exposure** | | | | | | | | | | | | | | |
| a) Bad exposures | - | - | - | - | 53,452 | 3,314 | 77 | - | 32,737,789 | 11,164,932 | 18,163,682 | 2,436,636 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 4,657,097 | 2,260,829 | 549,257 | 92,801 | | |
| b) Unlikely to pay | - | - | 8,413 | 8,413 | 25,451 | 12,271 | 16,279 | 7,407 | 23,786,784 | 13,574,378 | 691,605 | 357,059 | | |
| - of which: forborne exposures | - | - | 8,413 | 8,413 | - | - | - | - | 12,176,808 | 7,102,517 | 621,664 | 300,166 | | |
| c) Non-performing past due | - | - | - | - | - | - | - | - | 1,582,369 | 1,062,077 | 36,958 | 25,017 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 180,682 | 129,891 | 2,724 | 2,024 | | |
| d) Performing past due | - | - | - | - | - | - | - | - | 10,390,314 | 10,105,428 | 504,039 | 491,488 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 1,995,139 | 1,880,012 | 18,379 | 17,390 | | |
| e) Other performing exposures | 24,329,620 | 24,329,620 | 22,443,148 | 22,443,148 | 101,518,972 | 101,518,972 | 5,141,523 | 5,141,523 | 432,741,823 | 430,725,647 | 33,957,652 | 33,874,868 | | |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | 4,779,523 | 4,653,143 | 99,997 | 98,622 | | |
| **Total A** | **24,329,620** | **24,329,620** | **22,451,561** | **22,451,561** | **101,597,875** | **101,534,557** | **5,157,879** | **5,148,930** | **501,239,079** | **466,632,462** | **53,353,936** | **37,185,068** | | |
| **B. Off-balance sheet exposure** | | | | | | | | | | | | | | |
| a) Non-Performing | - | - | - | - | - | - | - | - | - | - | - | - | 2,557,575 | 2,006,620 |
| b) Performing | - | - | - | - | - | - | - | - | - | - | - | - | 196,080,566 | 195,628,591 |
| **Total B** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **198,638,141** | **197,635,211** |
| **Total (A+B) as at 12.31.2016** | **24,329,620** | **24,329,620** | **22,451,561** | **22,451,561** | **101,597,875** | **101,534,557** | **5,157,879** | **5,148,930** | **501,239,079** | **466,632,462** | **53,353,936** | **37,185,068** | **198,638,141** | **197,635,211** |

See table A.1.6, Part E – Section "Credit Risk", paragraph "Quantitative information – A. Credit Quality" of the Consolidated Reports and Accounts as at December 31, 2016 for past-due buckets of forborne exposures.
Pursuant to the instructions given by Bank of Italy in Circular 262 of December 22, 2005 (fourth amendment dated December 15, 2015), the off-balance sheet exposures do not include revocable commitments to disburse funds, which amount to €124,172,217 thousand.

## Distribution of On-Balance Sheet and Off-Balance Sheet credit exposures with banks by geographic area

(€ '000)

| EXPOSURES/GEOGRAPHIC AREA | AMOUNT AS AT 12.31.2016 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ITALY | | | OTHER EUROPEAN COUNTRIES | | | AMERICA | | | ASIA | | | REST OF THE WORLD | | |
| | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. Cash exposures** | | | | | | | | | | | | | | | |
| A.1 Bad exposures | - | - | - | 14,418 | 52 | 14,366 | 5,907 | 158 | 5,749 | 39,844 | 463 | 39,381 | 79 | 79 | - |
| A.2 Unlikely to pay | 7 | - | 7 | 1,908 | 1,908 | - | - | - | - | 2,351 | 1,327 | 1,024 | - | - | - |
| A.3 Non-Performing past-due | - | - | - | 3 | 3 | - | - | - | - | 26 | - | 26 | - | - | - |
| A.4 Performing exposures | 19,469,145 | 19,465,592 | 3,553 | 65,463,390 | 65,451,546 | 11,844 | 4,336,864 | 4,326,307 | 10,557 | 2,874,005 | 2,869,276 | 4,729 | 5,295,542 | 5,294,059 | 1,483 |
| **Total A** | **19,469,152** | **19,465,592** | **3,560** | **65,479,719** | **65,453,509** | **26,210** | **4,342,771** | **4,326,465** | **16,306** | **2,916,226** | **2,871,066** | **45,160** | **5,295,621** | **5,294,138** | **1,483** |
| **B. Off-Balance Sheet exposures** | | | | | | | | | | | | | | | |
| B.1 Bad exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other Non-Performing exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.4 Performing exposures | 1,615,022 | 1,614,763 | 259 | 36,287,354 | 36,281,741 | 5,613 | 3,994,974 | 3,993,270 | 1,704 | 2,496,171 | 2,493,970 | 2,201 | 907,868 | 906,716 | 1,152 |
| **Total B** | **1,615,022** | **1,614,763** | **259** | **36,287,354** | **36,281,741** | **5,613** | **3,994,974** | **3,993,270** | **1,704** | **2,496,171** | **2,493,970** | **2,201** | **907,868** | **906,716** | **1,152** |
| **Total (A+B) as at 12.31.2016** | **21,084,174** | **21,080,355** | **3,819** | **101,767,073** | **101,735,250** | **31,823** | **8,337,745** | **8,319,735** | **18,010** | **5,412,397** | **5,365,036** | **47,361** | **6,203,489** | **6,200,854** | **2,635** |

## Distribution of On-Balance Sheet and Off-Balance Sheet exposures with customers by geographic area

(€ '000)

| GEOGRAPHIC AREA/EXPOSURES | AMOUNT AS AT 12.31.2016 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ITALY | | | OTHER EUROPEAN COUNTRIES | | | AMERICA | | | ASIA | | | REST OF THE WORLD | | |
| | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS | GROSS EXPOSURE | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. On-balance sheet exposures** | | | | | | | | | | | | | | | |
| A.1 Bad exposures | 40,690,726 | 10,374,058 | 30,316,668 | 9,020,437 | 2,797,596 | 6,222,841 | 142,534 | 58,669 | 83,865 | 133,492 | 78,714 | 54,778 | 967,813 | 295,847 | 671,966 |
| A.2 Unlileky to pay | 17,701,712 | 9,828,626 | 7,873,086 | 6,081,243 | 3,640,972 | 2,440,271 | 119,716 | 97,628 | 22,088 | 14,519 | 13,942 | 577 | 611,343 | 378,361 | 232,982 |
| A.3 Non-Performing past-due exposures | 907,337 | 605,629 | 301,708 | 450,804 | 310,342 | 140,462 | 10,509 | 5,135 | 5,374 | 4,007 | 335 | 3,672 | 246,671 | 165,654 | 81,017 |
| A.4 Performing exposures | 253,782,910 | 252,767,152 | 1,015,758 | 336,884,726 | 335,677,990 | 1,206,736 | 8,609,496 | 8,586,310 | 23,186 | 5,661,469 | 5,625,921 | 35,548 | 26,088,490 | 25,973,321 | 115,169 |
| **Total A** | **313,082,685** | **273,575,465** | **39,507,220** | **352,437,210** | **342,426,900** | **10,010,310** | **8,882,255** | **8,747,742** | **134,513** | **5,813,487** | **5,718,912** | **94,575** | **27,914,317** | **26,813,183** | **1,101,134** |
| **B. Off-Balance Sheet exposures** | | | | | | | | | | | | | | | |
| B.1 Bad exposures | 178,349 | 141,748 | 36,601 | 322,416 | 152,647 | 169,769 | 71,060 | 71,020 | 40 | 10,038 | 9,532 | 506 | 110,777 | 73,075 | 37,702 |
| B.2 Unlikely to pay | 1,292,824 | 1,189,031 | 103,793 | 515,575 | 337,992 | 177,583 | 25,196 | 14,072 | 11,124 | 426 | 426 | - | 3 | 3 | - |
| B.3 Other Non-Performing exposures | 18,628 | 6,203 | 12,425 | 12,278 | 10,867 | 1,411 | - | - | - | - | - | - | 5 | 4 | 1 |
| B.4 Performing exposures | 49,728,754 | 49,626,001 | 102,753 | 114,251,672 | 113,914,792 | 336,880 | 14,419,102 | 14,416,249 | 2,853 | 1,874,647 | 1,872,650 | 1,997 | 15,494,312 | 15,486,820 | 7,492 |
| **Total B** | **51,218,555** | **50,962,983** | **255,572** | **115,101,941** | **114,416,298** | **685,643** | **14,515,358** | **14,501,341** | **14,017** | **1,885,111** | **1,882,608** | **2,503** | **15,605,097** | **15,559,902** | **45,195** |
| **Total (A+B) as at 12.31.2016** | **364,301,240** | **324,538,448** | **39,762,792** | **467,539,151** | **456,843,198** | **10,695,953** | **23,397,613** | **23,249,083** | **148,530** | **7,698,598** | **7,601,520** | **97,078** | **43,519,414** | **42,373,085** | **1,146,329** |

## Distribution by segment of On-Balance Sheet and Off-Balance Sheet credit exposures with customers (first part)

(€ '000)

| EXPOSURES/COUNTERPARTIES | GOVERNMENTS | | | OTHER PUBLIC ENTITIES | | | FINANCIAL COMPANIES | | |
|---|---|---|---|---|---|---|---|---|---|
| | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE |
| **A. On-balance sheet exposures** | | | | | | | | | |
| A.1 Bad exposures | 38,062 | 27,080 | 10,982 | 142,503 | 47,547 | 94,956 | 1,455,743 | 1,185,628 | 270,115 |
| - of which: forborne exposures | 61 | 46 | 15 | 3,202 | 3,202 | - | 180,610 | 103,590 | 77,020 |
| A.2 Unlikely to pay | 185,051 | 4,740 | 180,311 | 85,363 | 28,983 | 56,380 | 1,514,861 | 614,278 | 900,583 |
| - of which: forborne exposures | - | - | - | 45,720 | 14,195 | 31,525 | 670,449 | 284,064 | 386,385 |
| A.3 Non-Performing past-due | 752 | 224 | 528 | 12,415 | 1,197 | 11,218 | 41,068 | 38,002 | 3,066 |
| - of which: forborne exposures | - | - | - | - | - | - | 182 | 33 | 149 |
| A.4 Performing exposures | 128,988,658 | 7,267 | 128,981,391 | 37,788,234 | 61,761 | 37,726,473 | 69,340,409 | 92,522 | 69,247,887 |
| - of which: forborne exposures | 347 | - | 347 | 178 | 5 | 173 | 50,450 | 522 | 49,928 |
| **Total A** | **129,212,523** | **39,311** | **129,173,212** | **38,028,515** | **139,488** | **37,889,027** | **72,352,081** | **1,930,430** | **70,421,651** |
| **B. Off-Balance Sheet exposures** | | | | | | | | | |
| B.1 Bad exposures | - | - | - | 18,764 | - | 18,764 | 9,241 | 2,877 | 6,364 |
| B.2 Unlikely to pay | 1 | - | 1 | - | - | - | 171,169 | 36,248 | 134,921 |
| B.3 Other Non-Performing exposures | - | - | - | 14 | 3 | 11 | 1 | - | 1 |
| B.4 Performing exposures | 5,855,940 | 537 | 5,855,403 | 7,859,098 | 3,006 | 7,856,092 | 31,796,064 | 9,568 | 31,786,496 |
| **Total B** | **5,855,941** | **537** | **5,855,404** | **7,877,876** | **3,009** | **7,874,867** | **31,976,475** | **48,693** | **31,927,782** |
| **Total (A+B) as at 12.31.2016** | **135,068,464** | **39,848** | **135,028,616** | **45,906,391** | **142,497** | **45,763,894** | **104,328,556** | **1,979,123** | **102,349,433** |

## Distribution by segment of On-Balance Sheet and Off-Balance Sheet credit exposures with customers (second part)

(€ '000)

| EXPOSURES/COUNTERPARTIES | INSURANCE COMPANIES | | | NON-FINANCIAL COMPANIES | | | OTHER ENTITIES | | |
|---|---|---|---|---|---|---|---|---|---|
| | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE | GROSS EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE |
| **A. On-balance sheet exposures** | | | | | | | | | |
| A.1 Bad exposures | 12,093 | 5,736 | 6,357 | 38,004,889 | 28,869,885 | 9,135,004 | 11,301,712 | 7,214,242 | 4,087,470 |
| - of which: forborne exposures | 9,850 | 4,422 | 5,428 | 4,318,903 | 2,380,803 | 1,938,100 | 693,728 | 360,661 | 333,067 |
| A.2 Unlikely to pay | 3,497 | 151 | 3,346 | 19,854,330 | 8,969,014 | 10,885,316 | 2,885,431 | 951,838 | 1,933,593 |
| - of which: forborne exposures | 3,497 | 151 | 3,346 | 10,712,464 | 4,682,048 | 6,030,416 | 1,374,755 | 415,331 | 959,424 |
| A.3 Non-Performing past-due | 180 | 67 | 113 | 655,409 | 153,680 | 501,729 | 909,504 | 339,063 | 570,441 |
| - of which: forborne exposures | 1 | - | 1 | 122,782 | 36,152 | 86,630 | 60,441 | 15,306 | 45,135 |
| A.4 Performing exposures | 1,295,930 | 1,285 | 1,294,645 | 265,684,729 | 1,659,415 | 264,025,314 | 127,929,131 | 574,147 | 127,354,984 |
| - of which: forborne exposures | 12,994 | 86 | 12,908 | 3,538,628 | 118,854 | 3,419,774 | 3,290,441 | 124,404 | 3,166,037 |
| **Total A** | **1,311,700** | **7,239** | **1,304,461** | **324,199,357** | **39,651,994** | **284,547,363** | **143,025,778** | **9,079,290** | **133,946,488** |
| **B. Off-Balance Sheet exposures** | | | | | | | | | |
| B.1 Bad exposures | 151 | 21 | 130 | 543,932 | 202,060 | 341,872 | 120,552 | 39,660 | 80,892 |
| B.2 Unlikely to pay | 156 | 156 | - | 1,605,037 | 221,505 | 1,383,532 | 57,661 | 34,591 | 23,070 |
| B.3 Other Non-Performing exposures | - | - | - | 29,173 | 13,586 | 15,587 | 1,723 | 248 | 1,475 |
| B.4 Performing exposures | 2,550,208 | 248 | 2,549,960 | 126,759,883 | 228,860 | 126,531,023 | 20,947,294 | 209,756 | 20,737,538 |
| **Total B** | **2,550,515** | **425** | **2,550,090** | **128,938,025** | **666,011** | **128,272,014** | **21,127,230** | **284,255** | **20,842,975** |
| **Total (A+B) as at 12.31.2016** | **3,862,215** | **7,664** | **3,854,551** | **453,137,382** | **40,318,005** | **412,819,377** | **164,153,008** | **9,363,545** | **154,789,463** |

The table below reports loans and receivables towards non financial companies as disclosed for FinRep purposes. The overall gross amount is not fully comparable with the figures reported in the previous table "Distribution of On-B/S and Off-B/S exposures to customers by business sector – second part" (column Non financial companies): debt securities are not included in the FinRep representation and aggregation criteria by customer segments are not fully aligned.

**Breakdown of loans and advances to non-financial corporations by NACE codes** (€'000)

| | AMOUNT AS AT 12/31/2015 | | |
|---|---|---|---|
| | Non-financial corporations | | |
| | Gross carrying amount | of which: non-performing | Accumulated impairment or Accumulated changes in fair value due to credit risk |
| A Agriculture, forestry and fishing | 4,559,091 | 519,192 | (357,959) |
| B Mining and quarrying | 4,296,693 | 348,931 | (198,041) |
| C Manufacturing | 60,144,322 | 7,953,070 | (5,268,940) |
| D Electricity, gas, steam and air conditioning supply | 15,352,212 | 1,096,178 | (537,808) |
| E Water supply | 2,412,944 | 275,639 | (179,210) |
| F Construction | 23,845,052 | 7,477,506 | (4,534,120) |
| G Wholesale and retail trade | 39,961,493 | 5,130,889 | (3,588,508) |
| H Transport and storage | 16,609,174 | 3,665,006 | (2,245,290) |
| I Accommodation and food service activities | 6,513,944 | 1,235,203 | (668,558) |
| J Information and communication | 8,626,772 | 592,599 | (392,858) |
| L Real estate activities | 48,264,345 | 7,418,335 | (3,743,961) |
| M Professional, scientific and technical activities | 15,707,537 | 1,432,203 | (819,913) |
| N Administrative and support service activities | 5,335,064 | 1,139,098 | (665,133) |
| O Public administration and defence, compulsory social security | 942,155 | 40,834 | (33,633) |
| P Education | 246,677 | 30,805 | (16,585) |
| Q Human health services and social work activities | 5,480,211 | 276,237 | (181,333) |
| R Arts, entertainment and recreation | 1,624,824 | 342,715 | (182,228) |
| S Other services | 26,803,311 | 1,570,839 | (807,716) |
| **LOANS AND ADVANCES** | **286,725,821** | **40,545,279** | **(24,421,794)** |

## Time breakdown by contractual residual maturity of financial assets and liabilities

(€ '000)

| ITEMS/MATURITIES | AMOUNTS AS AT 12.31.2016 ON DEMAND | 1 TO 7 DAYS | 7 TO 15 DAYS | 15 DAYS TO 1 MONTH | 1 TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|---|---|
| **On-balance sheet assets** | **63,589,160** | **28,565,648** | **13,709,188** | **33,215,377** | **55,568,836** | **37,037,586** | **62,292,751** | **246,748,438** | **201,146,914** | **18,669,801** |
| A.1 Government securities | 54,667 | 65,743 | 41,185 | 987,354 | 2,106,098 | 5,533,895 | 12,855,305 | 70,133,244 | 23,986,858 | 116 |
| A.2 Other debt securities | 80,492 | 1,445,212 | 34,132 | 469,907 | 2,490,904 | 2,746,330 | 7,387,420 | 23,179,199 | 23,809,605 | 64,503 |
| A.3 Units in investment funds | 978,317 | - | - | - | - | - | - | 1,020 | - | 2,175,991 |
| A.4 Loans | 62,475,684 | 27,054,693 | 13,633,871 | 31,758,116 | 50,971,834 | 28,757,361 | 42,050,026 | 153,434,975 | 153,350,451 | 16,429,191 |
| - Banks | 18,095,489 | 7,619,061 | 5,119,085 | 3,524,483 | 21,044,578 | 4,755,259 | 3,138,115 | 3,244,583 | 1,363,199 | 9,572,570 |
| - Customers | 44,380,195 | 19,435,632 | 8,514,786 | 28,233,633 | 29,927,256 | 24,002,102 | 38,911,911 | 150,190,392 | 151,987,252 | 6,856,621 |
| **On-balance sheet liabilities** | **366,289,398** | **42,684,537** | **18,359,017** | **36,966,940** | **65,939,006** | **23,409,457** | **41,272,458** | **94,094,271** | **59,114,219** | **10,694,851** |
| B.1 Deposits and current accounts | 349,851,953 | 5,942,733 | 5,988,741 | 18,979,905 | 27,269,036 | 11,100,159 | 15,418,813 | 14,379,396 | 1,251,906 | 20,014 |
| - Banks | 14,040,438 | 1,555,957 | 1,310,416 | 1,789,933 | 1,199,280 | 694,201 | 769,615 | 702,013 | 447,753 | 20,014 |
| - Customers | 335,811,515 | 4,386,776 | 4,678,325 | 17,189,972 | 26,069,756 | 10,405,958 | 14,649,198 | 13,677,383 | 804,153 | - |
| B.2 Debt securities | 2,975,448 | 325,817 | 1,206,250 | 3,436,459 | 5,356,030 | 6,284,408 | 20,640,575 | 43,143,094 | 43,193,957 | 2,766,482 |
| B.3 Other liabilities | 13,461,997 | 36,415,987 | 11,164,026 | 14,550,576 | 33,313,940 | 6,024,890 | 5,213,070 | 36,571,781 | 14,668,356 | 7,908,355 |
| **Off-balance sheet "transactions"** | | | | | | | | | | |
| C.1 Physically settled financial derivatives | | | | | | | | | | |
| - Long positions | 31,642 | 13,694,049 | 6,808,337 | 9,760,743 | 15,804,192 | 15,518,055 | 22,835,478 | 12,410,774 | 15,963,571 | 558 |
| - Short positions | 31,651 | 15,043,738 | 7,239,193 | 10,195,453 | 16,120,421 | 15,974,939 | 24,231,588 | 15,984,349 | 12,408,636 | 560 |
| C.2 Cash settled financial derivatives | | | | | | | | | | |
| - Long positions | 15,773,321 | 492,557 | 932,206 | 1,724,422 | 5,523,763 | 2,969,309 | 3,771,911 | 18,751,935 | 12,431,639 | - |
| - Short positions | 15,725,230 | 508,071 | 806,292 | 1,709,539 | 5,542,463 | 2,947,324 | 3,780,936 | 18,745,649 | 12,580,462 | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | 12,218,459 | - | - | - | - | - | - | - | - |
| - Short positions | - | 5,812,184 | 339,646 | 425,859 | 4,776,335 | 864,435 | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | 40,353,413 | 5,874,885 | 408,080 | 1,246,067 | 2,533,721 | 3,437,354 | 10,826,895 | 20,464,486 | 4,971,682 | 177,312 |
| - Short positions | 44,547,170 | 5,199,858 | 397,946 | 523,478 | 1,840,923 | 2,070,090 | 10,287,886 | 20,151,861 | 4,938,720 | 169,316 |
| C.5 Written guarantees | 783,139 | 8,890 | 10,092 | 56,440 | 116,665 | 169,541 | 224,638 | 722,542 | 278,274 | 1,317,384 |
| C.6 Financial guarantees received | 7,101,254 | 2,789 | 14,433 | 77,982 | 40,308 | 66,833 | 81,952 | 7,525,259 | 67,067,452 | 277,043 |
| C.7 Physically settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | 1,777,000 | 2,096,883 | 3,130,000 | 17,470,000 | 94,000 | - |
| - Short positions | - | - | - | - | 1,621,000 | 1,902,883 | 2,604,000 | 17,785,000 | 218,000 | - |
| C.8 Cash settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | 112,000 | 112,000 | 265,100 | 642,000 | - |
| - Short positions | - | - | - | - | - | 375,000 | 80,000 | 627,100 | 642,000 | - |

**Balance Sheet Non-performing credit exposures: change in overall impairments** (€ '000)

| SOURCE/CATEGORIES | CHANGES IN 2016 | | | | | |
|---|---|---|---|---|---|---|
| | EXPOSURES WITH BANKS | | | EXPOSURES WITH CUSTOMERS | | |
| | NON-PERFORMING LOANS | UNLIKELY TO PAY | NON PERFORMING PAST-DUE | NON-PERFORMING LOANS | UNLIKELY TO PAY | NON PERFORMING PAST-DUE |
| **A. Opening balance (gross amount)** | **82,862** | **2,229** | **114** | **32,402,651** | **9,190,666** | **757,445** |
| *- of which sold but not derecognised* | - | - | - | *240,792* | *208,852* | *22,189* |
| **B. Increases** | **11,846** | **112** | **112** | **13,301,369** | **5,667,863** | **589,335** |
| B.1 writedowns | 10,046 | - | - | 10,677,238 | 4,781,599 | 402,935 |
| B.2 losses on disposal | - | - | - | 204,737 | 16,952 | 286 |
| B.3 Transfers from other Non-Performing exposure | - | 112 | 112 | 1,891,310 | 476,939 | 23,172 |
| B.4 Other increases | 1,800 | - | - | 528,084 | 392,373 | 162,942 |
| **C. Reductions** | **35,212** | **1,310** | **200** | **8,353,902** | **4,289,525** | **814,547** |
| C.1 write-backs from assessments | - | 35 | - | 959,185 | 356,989 | 46,597 |
| C.2 write-backs from recoveries | 19,322 | 1,154 | 85 | 1,302,141 | 835,230 | 127,593 |
| C.3 gains on disposal | - | - | - | 70,394 | 35,493 | 160 |
| C.4 Write-offs | 644 | - | - | 4,817,309 | 715,862 | 14,178 |
| C.5 Transfers to other Non-Performing exposures | - | 112 | 112 | 113,078 | 1,794,394 | 483,949 |
| C.6 Other decreases | 15,246 | 9 | 3 | 1,091,795 | 551,557 | 142,070 |
| **D. Closing balance (gross amounts)** | **59,496** | **1,031** | **26** | **37,350,118** | **10,569,004** | **532,233** |
| *- of which sold but not derecognised* | - | - | - | *301,906* | *286,386* | *15,268* |

The table above excludes the “Performing exposures” category.

The overall amount of net write-downs, "Performing exposures" included, booked in Income Statement 2016 are:

- Loans and receivables with banks positive effect of 35,861 thousands euro due to an excess of write-backs;
- Loans and receivable with customers negative effect of 12,259,942 thousands euro due to an excess of write-downs.

# Credit Risk: use of ECAIs’ ratings

## Credit risk – Standardized approach

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

| Porfolios | ECA / ECAI | Ratings characteristics [11] |
|---|---|---|
| Exposures with central governments and central banks | - Fitch Ratings;<br>- Moody's Investor Services;<br>- Standard and Poor's Rating Services | Solicited e Unsolicited |
| Exposures with international organizations | | |
| Exposures with multilateral development banks | | |
| Exposures with corporate and other entities | | |
| Exposures with Collective Investments Undertakings (CIU) | | |

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

**Distribution of exposures: standardized method**

(€ '000)

| | AMOUNT AS AT 12.31.2016 | | AMOUNT AS AT 12.31.2015 | |
|---|---|---|---|---|
| ASSET CLASSES | EXPOSURES WITH CREDIT RISK MITIGATION | EXPOSURES WITHOUT CREDIT RISK MITIGATION | EXPOSURES WITH CREDIT RISK MITIGATION | EXPOSURES WITHOUT CREDIT RISK MITIGATION |
| | **459,694,035** | **453,102,279** | **476,473,031** | **534,165,537** |
| Exposures to or secured by central governments or central banks | 176,806,094 | 161,468,542 | 166,671,427 | 153,836,497 |
| Exposures to or secured by regional governments or local authorities | 46,547,198 | 41,832,779 | 47,773,397 | 43,171,917 |
| Exposures to or secured by public-sector bodies | 10,783,195 | 13,421,537 | 10,801,199 | 13,348,001 |
| Exposures to or secured by multilateral development banks | 1,247,787 | 368,035 | 890,539 | 446,495 |
| Exposures to or secured by international organizations | 1,500,906 | 1,500,906 | 4,901,293 | 4,901,293 |
| Exposures to or secured by authorities | 9,712,487 | 12,821,417 | 13,047,010 | 76,860,432 |
| Exposures to or secured by corporates and other parties | 100,490,203 | 106,513,716 | 111,232,112 | 117,825,674 |
| Retail exposures | 55,370,496 | 57,183,916 | 63,492,428 | 65,723,088 |
| Exposures secured by real estate collateral | 17,146,673 | 17,149,268 | 17,834,745 | 17,835,369 |
| Defaulted exposures | 8,216,420 | 8,439,516 | 11,579,747 | 11,894,775 |
| High risk exposures | 1,922,383 | 1,922,504 | 1,698,188 | 1,698,188 |
| Exposures in the form of guaranteed bank bonds (covered bond) | 505,326 | 505,326 | 671,483 | 671,483 |
| Short term exposures to corporates and other parties or authorities | 1,410,909 | 1,940,862 | 1,159,123 | 1,231,985 |
| Exposures to Undertakings for Collective Investment (UCI) | 304,234 | 304,234 | 306,388 | 306,388 |
| Equity exposures | 6,452,416 | 6,452,416 | 4,033,854 | 4,033,854 |
| Other exposures | 21,277,308 | 21,277,305 | 20,380,098 | 20,380,098 |

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

**Standardized approach - risk assets**

(€ '000)

| REGULATORY PORTFOLIO | EXPOSURE INCLUDING RISK MITIGATION AS AT 12.31.2016 | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other weightings | Total |
| Exposures to or secured by central governments or central banks | 152,818,542 | | | | 280,407 | | 8,719,620 | | | 12,702,165 | - | 2,285,360 | | | | **176,806,094** |
| Exposures to or secured by regional governments or local authorities | 37,252,550 | | | | 8,925,440 | | 8,347 | | | 360,861 | - | | | | - | **46,547,198** |
| Exposures to or secured by public-sector bodies | 6,018,855 | | | | 2,289,942 | | 41,554 | | | 2,432,844 | - | | | | - | **10,783,195** |
| Exposures to or secured by multilateral development banks | 1,246,726 | | | | - | | 1,061 | | | - | - | | | | - | **1,247,787** |
| Exposures to or secured by international organizations | 1,500,906 | | | | | | | | | | | | | | - | **1,500,906** |
| Exposures to or secured by authorities | | 2,113,380 | 90,935 | | 5,489,022 | | 1,721,719 | | | 297,414 | 17 | - | | | | **9,712,487** |
| Exposures to or secured by corporates and other parties | | - | - | | 616,024 | 5,624 | 2,874,328 | 29,717 | | 96,844,298 | 120,212 | | | | | **100,490,203** |
| Retail exposures | | | | | | | | | 55,370,496 | | | | | | | **55,370,496** |
| Exposures secured by real estate collateral | | | | | | 10,786,487 | 4,633,034 | - | - | 1,727,152 | - | | | | - | **17,146,673** |
| Defaulted exposures | | | | | | | | | | 5,598,677 | 2,617,743 | | | | - | **8,216,420** |
| High-risk exposures | | | | | | | | | | | 1,922,383 | | | | - | **1,922,383** |
| Exposures in the form of guaranteed bank bonds (covered bonds) | | | | 63,924 | 441,402 | | - | | | - | | | | | - | **505,326** |
| Short-term exposures to corporates and other parties or authorities | | | | | 364,582 | | - | | | 831,285 | 215,042 | | | | - | **1,410,909** |
| Exposures to Undertakings for Collective Investment (UCI) | 7,995 | | | - | - | - | - | - | - | 278,151 | - | - | - | - | 18,088 | **304,234** |
| Equity exposures | | | | | | | | | | 3,886,141 | 5,546 | 2,560,729 | - | - | - | **6,452,416** |
| Other exposures | 3,859,163 | | | | 962,067 | | | | | 16,456,078 | | | | - | - | **21,277,308** |

(€ '000)

| REGULATORY PORTFOLIO | EXPOSURE NOT INCLUDING RISK MITIGATION AS AT 12.31.2016 | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other weightings | Total |
| Exposures to or secured by central governments or central banks | 136,754,829 | | | | 350,875 | | 8,870,865 | | | 13,206,612 | - | 2,285,361 | | | | **161,468,542** |
| Exposures to or secured by regional governments or local authorities | 32,864,797 | | | | 8,594,975 | | 8,347 | | | 364,660 | - | | | | - | **41,832,779** |
| Exposures to or secured by public-sector bodies | 5,771,334 | | | | 3,883,036 | | 48,479 | | | 3,718,688 | - | | | | - | **13,421,537** |
| Exposures to or secured by multilateral development banks | 368,035 | | | | - | | - | | | - | - | | | | - | **368,035** |
| Exposures to or secured by international organizations | 1,500,906 | | | | | | | | | | | | | | - | **1,500,906** |
| Exposures to or secured by authorities | | 4,700,028 | 90,935 | | 5,714,218 | | 1,717,038 | | | 599,181 | 17 | - | | | | **12,821,417** |
| Exposures to or secured by corporates and other parties | | - | - | | 1,213,543 | - | 2,650,717 | - | | 102,529,244 | 120,212 | | | | | **106,513,716** |
| Retail exposures | | | | | | | | | 57,183,916 | | | | | | | **57,183,916** |
| Exposures secured by real estate collateral | | | | | | 10,786,532 | 4,633,514 | - | - | 1,729,222 | - | | | | - | **17,149,268** |
| Defaulted exposures | | | | | | | | | | 5,483,338 | 2,956,178 | | | | - | **8,439,516** |
| High-risk exposures | | | | | | | | | | | 1,922,504 | | | | - | **1,922,504** |
| Exposures in the form of guaranteed bank bonds (covered bonds) | | | | 63,924 | 441,402 | | - | | | - | | | | | - | **505,326** |
| Short-term exposures to corporates and other parties or authorities | | | | | 289,796 | | - | | | 876,813 | 774,253 | | | | - | **1,940,862** |
| Exposures to Undertakings for Collective Investment (UCI) | 7,995 | | | - | - | - | - | - | - | 278,151 | - | - | - | - | 18,088 | **304,234** |
| Equity exposures | | | | | | | | | | 3,886,141 | 5,546 | 2,560,729 | - | - | - | **6,452,416** |
| Other exposures | 3,859,165 | | | | 962,067 | | | | | 16,456,073 | | | | - | - | **21,277,305** |

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

**EU CR5 – Standardised approach – Credit Risk**

(€/000)

| | Exposure classes | Risk Weights | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other | Deducted | Total | of which unrated |
| 1 | Central governments or central banks | 145,395,224 | - | - | - | 280,407 | - | 8,694,009 | - | - | 12,698,756 | - | 2,285,361 | - | - | - | - | 169,353,757 | 108,094,897 |
| 2 | Regional government or local authorities | 32,312,148 | - | - | - | 5,711,850 | - | 8,347 | - | - | 346,357 | - | - | - | - | - | - | 38,378,702 | 9,318,845 |
| 3 | Public sector entities | 5,539,420 | - | - | - | 1,094,614 | - | 35,476 | - | - | 1,180,108 | - | - | - | - | - | - | 7,849,618 | 1,947,861 |
| 4 | Multilateral development banks | 1,183,356 | - | - | - | - | - | 1,061 | - | - | - | - | - | - | - | - | - | 1,184,417 | 785,629 |
| 5 | International organisations | 1,500,903 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,500,903 | 1,254,955 |
| 6 | Institutions | 1 | 59,689 | - | - | 3,000,741 | - | 1,084,629 | - | - | 135,744 | 17 | - | - | - | - | - | 4,280,821 | 1,044,874 |
| 7 | Corporates | - | - | - | - | 408,163 | 5,585 | 1,735,942 | 29,679 | - | 71,506,170 | 102,454 | - | - | - | - | - | 73,787,993 | 58,879,059 |
| 8 | Retail | - | - | - | - | - | - | - | - | 42,625,177 | - | - | - | - | - | - | - | 42,625,177 | 33,242,386 |
| 9 | Secured by mortgages on immovable property | - | - | - | - | - | 10,729,575 | 4,621,142 | - | - | 1,614,507 | - | - | - | - | - | - | 16,965,224 | 10,685,683 |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - | 5,577,394 | 2,127,964 | - | - | - | - | - | 7,705,358 | 7,254,661 |
| 11 | Higher-risk categories | - | - | - | - | - | - | - | - | - | - | 1,905,851 | - | - | - | - | - | 1,905,851 | 1,905,851 |
| 12 | Covered bonds | - | - | - | 63,924 | 441,401 | - | - | - | - | - | - | - | - | - | - | - | 505,325 | - |
| 13 | Institutions and corporates with a short term credit assessment | - | - | - | - | 364,236 | - | - | - | - | 825,172 | 157,253 | - | - | - | - | - | 1,346,661 | 655,446 |
| 14 | Collective investment undertakings | 7,995 | - | - | - | - | - | - | - | - | 278,151 | - | - | - | - | 18,088 | - | 304,234 | 279,262 |
| 15 | Equity | - | - | - | - | - | - | - | - | - | 3,886,140 | 5,546 | 2,560,729 | - | - | - | - | 6,452,415 | 3,907,039 |
| 16 | Other items | 3,859,164 | - | - | - | 962,067 | - | - | - | - | 16,456,069 | - | - | - | - | - | - | 21,277,300 | 18,280,100 |
| 17 | **Total** | **189,798,211** | **59,689** | **-** | **63,924** | **12,263,479** | **10,735,160** | **16,180,606** | **29,679** | **42,625,177** | **114,504,568** | **4,299,085** | **4,846,090** | **-** | **-** | **18,088** | **-** | **395,423,756** | **257,536,548** |

The table above refers to credit risk and shows the on and off balance exposure including risk mitigation and post credit conversion factor.

**EU CCR3 – Standardised approach – Counterparty Risk exposures by regulatory portfolio and risk weights**

(€/000)

| | Exposure classes | Risk Weight | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Others | Total | Of which unrated |
| 1 | Central governments or central banks | 4,706,608 | - | - | - | - | 20,804 | - | - | 194 | - | - | **4,727,606** | 45,103 |
| 2 | Regional government or local authorities | 3,102,205 | - | - | - | 170,597 | - | - | - | - | 2,160 | - | **3,274,962** | 127,651 |
| 3 | Public sector entities | 460,850 | - | - | - | 41,437 | - | - | - | 8,986 | - | - | **511,273** | 8,996 |
| 4 | Multilateral development banks | 13,881 | - | - | - | - | - | - | - | - | - | - | **13,881** | - |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | **-** | - |
| 6 | Institutions | - | 2,053,691 | 90,935 | - | 2,309,190 | 558,182 | - | - | 38,222 | 251 | - | **5,050,471** | 3,282,047 |
| 7 | Corporates | - | - | - | - | 38,489 | 88,042 | - | - | 2,026,849 | 7,014 | - | **2,160,394** | 1,842,649 |
| 8 | Retail | - | - | - | - | - | - | - | 264,599 | - | 196 | - | **264,795** | 11,241 |
| 9 | Institutions and corporates with a short term credit assessment | - | - | - | - | 298 | - | - | - | 6,022 | 57,056 | - | **63,376** | - |
| 10 | Other items | - | - | - | - | - | - | - | - | 2 | - | - | **2** | - |
| 11 | **Total** | **8,283,544** | **2,053,691** | **90,935** | **-** | **2,560,011** | **667,028** | **-** | **264,599** | **2,080,275** | **66,677** | **-** | **16,066,760** | **5,317,687** |

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

# Credit Risk: use of the IRB approach

By its authorization no. 365138 dated March 28, 2008 Bank of Italy authorized UniCredit Group to use the Advanced approach for calculating the capital requirement for credit and operational risks.
With reference to credit risk, the Group has been authorized to use internal PD, LGD and EAD calculations for Group wide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for credit portfolios of the relevant subsidiaries (corporate and retail). With reference to the Italian mid-corporate and small business portfolios, the EAD foundation values are currently being used.
In the first stage this approach has been adopted by the Parent Company and some Italian subsidiaries, subsequently merged in UniCredit S.p.A. (UCI) by UniCredit Bank AG (UCB AG) and UniCredit Bank Austria (BA AG). According to the Roll-out plan for progressive extension of the IRB rating system approved by the Group and shared with the Regulator, starting from 2008 these methods have been extended to the Group Entities currently named , UniCredit Bank Luxembourg S.A., UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic a.s. (both for Czech and Slovakian portfolios), UniCredit Bank Ireland plc., UniCredit Bank Hungary, UniCredit Bank Romania a.s. and Zao UniCredit Bank in Russia. Subsequently it is expected that other Group entities will adopt IRB systems following the above mentioned Roll-out plan. This qualitative information is structured describing the rating systems authorized by the Regulators by prevailing asset class.
The following table summarizes the rating systems used by the Group with an indication of the related prevailing asset class and the entities where they are used.

| Prevailing asset class | | Rating system | Legal entity |
|---|---|---|---|
| Central governments and central banks | Groupwide | Sovereign (PD, LGD,EAD) | UCI, UCB AG , BA, UCB CZ, UCB SK*, UCB RO*, UCB Lux |
| Institutions subjected to supervision | Groupwide | Financial Institutions & Banks (PD, LGD,EAD) | UCI, UCB AG, BA, UCB Lux, UCB Slo*, UCB IE*, UCB BG*, UCB CZ, UCB HU(*) (**), UCB SK*, UCB RO*, UCL GMBH |
| Corporate | Groupwide | Multinational (PD, LGD,EAD) | UCI, UCB AG, BA, UCB Lux, UCB Slo*, UCB BG, UCB CZ, UCB HU*, UCB SK*, UCB RO*, UCL GMBH, ZAO UCB* |
| Corporate | Groupwide | Global Project Finance (PD, LGD, EAD) | UCI, UCB AG, BA, UCB CZ, UCB Lux, UCB SK* |
| Corporate | Local | Integrated Corporate Rating RIC (PD, LGD) | UCI |
| Corporate | Local | Mid Corporate (PD, LGD, EAD) | UCB AG, UCB Lux,BA, UCB CZ,UCL GMBH, UCB BG |
| Corporate | Local | Foreign Small and Mediumsized Enterprises (PD, LGD, EAD) | UCB AG, UCB Lux |
| Corporate | Local | Income Producing Real Estate (IPRE) (PD, LGD, EAD) | UCB AG, UCB Lux, BA, UCB CZ |
| Corporate | Local | Acquisition and Leverage Finance (PD, LGD, EAD) | UCB AG, UCB Lux |
| Corporate | Local | Global Shipping (PD, LGD, EAD) | UCB AG |
| Corporate | Local | Wind Project Finance (PD, LGD, EAD) | UCB AG |
| Corporate | Local | Income Producing Real Estate (IPRE) (Slotting criteria) | UCB BG; UCB SK |
| Corporate | Local | Non Profit (PD, LGD, EAD) | BA |
| Corporate | Local | Mid-Corporate (PD) | UCB HU*, UCB Slo*, UCB SK*, UCB RO* |
| Corporate | Local | Aircraft Finance (PD) | UCB AG |
| Corporate | Local | Commercial Real Estate Finance (PD, LGD, EAD) | UCB AG, UCB Lux |
| Corporate | Local | Specialized lending (Slotting criteria) | UCL GMBH |
| Institutions subjected to supervision, Corporate | Local | Other minor rating systems (Public Sector Entities, Municipalities, Religious Companies, Leasing) (PD, LDG, EAD) | UCB CZ |
| Retail exposures | Local | Integrated Small Business Rating RISB (PD, LGD) | UCI |
| Retail exposures | Local | Integrated Private Rating (RIP) Mortgages (PD, LGD, EAD) | UCI |
| Retail exposures | Local | Overdraft and credit cards (PD, LGD, EAD)*** | UCI |
| Retail exposures | Local | Personal Loan (PD, LGD, EAD)*** | UCI |
| Retail exposures | Local | Small Business (PD, LGD, EAD) | UCB AG, UCB Lux, BA, UCB CZ, UCL GMBH,UCB BG |
| Retail exposures | Local | Private Wealthy Customers (PD, LGD, EAD) | UCB Lux |
| Retail exposures | Local | Private Individuals (PD, LGD, EAD) | UCB AG, BA, UCB CZ, UCB BG |
| Securitization | Local | Asset Backed Commercial Paper (PD, LGD, EAD) | UCB AG |

(*) these Banks are currently authorized only to use the IRB Foundation, therefore they use only PD internal estimations for capital calculation.
(**) This country is authorized by the Local Regulator to adopt the Group wide model Financial Institution & Banks only for the Commercial Bank segment with the exclusion of the Securities Industry segment .
(***) Systems authorized since 2010 which regulatory use is prudentially planned after the completion of the models revision.

Keywords:

UCI UniCredit Spa
UCB AG UniCredit Bank AG
BA UniCredit Bank Austria AG
UCB IE UniCredit Bank Ireland p.l.c.
UCB Lux UniCredit Bank Luxembourg S.A.
UCL GMBH UniCredit Leasing GMBH and subsidiaries (Unicredit Leasing Finance GMBH, Structured Lease GMBH, UniCredit Leasing Aviation GMBH)

UCB Slo UniCredit Banka Slovenija d.d.
UCB BG UniCredit Bulbank AD
UCB CZ UniCredit Bank Czech Republic, a.s.
UCB HU UniCredit Hungary
UCB SK: former UniCredit Bank Slovakia a.s branch of UniCredit Bank Czech Republic, a.s. since December 2013
UCB RO UniCredit Bank Romania a.s.
ZAO UCB Zao UniCredit Bank (Russia)

A Group Master Scale, introduced by the Group Governance Rules with the Internal Regulation No. 488 of March 2011, is adopted in order to have a common and shared vision of the customer riskiness at Group level and to increase communication and effectiveness of decisions among the delivery process and management reporting.

The Master Scale is aimed to address the following:

- allow risk and relationship managers to communicate with a common language;
- ensure consistency of credit decisions, also if they are based on rating classes (RC) and not on PD;
- facilitate the definition of credit policies / guidelines by avoiding unnecessary ambiguities.

The Group Rating Master Scale is based on the following assumptions:

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

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

It should also be noted that the correspondence between the PD rating classes provided by the Group Master Scale and those of external agency (S&P’s) are purely indicative and therefore they may change over time.

**Rating Group Master Scale Table**

| Rating Class (disaggregated and aggregated) | | PD Min | PD Max | S&P proxy Rating Equivalent |
|---|---|---|---|---|
| **A** | 01 | 0,0000% | 0,0036% | AAA |
| **B1** | 02 | 0,0036% | 0,0065% | AA+ |
| **B2** | | 0,0065% | 0,0116% | AA |
| **B3** | | 0,0116% | 0,0208% | AA- |
| **C1** | 03 | 0,0208% | 0,0371% | A+ |
| **C2** | | 0,0371% | 0,0663% | A |
| **C3** | | 0,0663% | 0,1185% | A- |
| **D1** | 04 | 0,1185% | 0,2116% | BBB+ |
| **D2** | | 0,2116% | 0,3779% | BBB |
| **D3** | | 0,3779% | 0,5824% | BBB- |
| **E1** | 05 | 0,5824% | 0,7744% | BB+ |
| **E2** | | 0,7744% | 1,0298% | BB |
| **E3** | | 1,0298% | 1,3693% | BB- |
| **F1** | 06 | 1,3693% | 1,8209% | B+ |
| **F2** | | 1,8209% | 2,4214% | B+ |
| **F3** | | 2,4214% | 3,2198% | B+ |
| **G1** | 07 | 3,2198% | 4,2816% | B |
| **G2** | | 4,2816% | 5,6935% | B |
| **G3** | | 5,6935% | 7,5710% | B |
| **H1** | 08 | 7,5710% | 10,0677% | B- |
| **H2** | | 10,0677% | 13,3876% | B- |
| **H3** | | 13,3876% | 17,8023% | B- |
| **I1** | 09 | 17,8023% | 23,6729% | CCC |
| **I2** | | 23,6729% | 31,4793% | CC |
| **I3** | | 31,4793% | 99,9999% | C |
| **X1** | 10 | Past due | 100% | D |
| **X2** | | Unlikely to pay | 100% | D |
| **X3** | | Bad loans | 100% | D |

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

- different phases of the credit process:
  - **approval/renewal**. The assignment of an internal rating is a key component in the credit assessment of a counterparty/transaction and represents a mandatory step in providing/renewing credit lines. The rating, which is assigned before the decision-making is an integrated part of the credit assessment and discussed in the credit proposal. Together with the loan exposure the rating is also a component for defining the appropriate credit approval body;
  - **monitoring**. The main objective of the loan monitoring process is the early identification of deteriorating creditworthiness of a counterparty/transaction, and timely definition of most appropriate corrective actions, aiming to bring credit files back to regular status and avoiding the default classification. This activity mainly focuses on signs of potential or actual credit risk deterioration and taking adequate actions, including the potential reduction of exposure or even, disengaging from the customer. Possible options also include request of new or additional collateral resulting in the reduction of LGD and thus a positive impact on EAD and potentially in a subsequent recovery phase;

  - **loan recovery**. The assessment of the proposed strategy which aim at defining the recovery plan, loan loss provisions, expected net cash flows (after levying on collaterals and guarantees) all the other values for the calculation of the Net Present Value ("NPV"), on the basis of the related prudential collection hypothesis considering all the costs and the probability of the strategy to fail. The assessment results in the estimated LGD.
- **provision policies**. For performing loan customers, the "incurred but not reported losses" (IBNR) methodology has been adopted, in line with current accounting principles. This approach uses the amount of the expected loss by means of the Loss Confirmation Period (LCP) parameter for the calculation of generic provisions. For counterparties in the default category, coherence between provisioning, NPV calculation and historical data of losses for similar types of exposure shall be always ensured;
- **capital management** and allocation. Ratings are also an essential element in the process of quantifying, managing and allocating capital that is performed on a risk based perspective. Specifically, the output of rating systems feed RWA and Expected Loss calculation that are integrated into the processes aimed at managing and allocating capital, as well as into those determining "risk adjusted performance" measures and the adjusted income statement.
- **risk strategy** . Customer risk is a key determinant in the area of risk strategy and budgeting for the quantification of RWA and impairment losses;
- **reporting**. The fundamental objective of the reporting and monitoring activities performed by the Group Risk Management function is the analysis of the main drivers and parameters of credit risk (exposure, portfolio mix, asset quality, cost of risk, shortfall, etc.) in order to promptly initiate any countermeasures on portfolios, sub-portfolios or individual counterparties. The reporting provides a managerial tool for supporting decision-making process in the management and mitigation of risks. Group Risk Management function performs credit risk reporting at portfolio level, producing reports at Group level, both recurring and specific (on demand of Top Management, Regulators or external entities, e.g. rating agencies) with the objective of analyzing the main risk components and their development over time, and thus to detect any signals of deterioration at an early stage and, subsequently, to put in place the appropriate corrective actions. Credit portfolio performance is analyzed with reference to its main risk drivers (such as growth and risk indicators), customer segments, regions, industrial sectors, and impaired credits performance and relevant coverage.

The Group is firmly committed to satisfy the requirements for recognition of Credit Risk Mitigation techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, Foundation IRB or Advanced IRB), both for internal use in operations and for the purpose of calculating the credit risk capital requirement.

To achieve compliance with the Basel regulations, UniCredit Group has carried out specific actions aimed at defining and meeting the requirements for applying Credit Risk Mitigation(CRM) procedures. These actions include the following:

- issuance of general guidelines, defining Group-wide rules and principles with the aim to guide, govern and standardize the credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements. With this documentation different objectives have been pursued, encouraging the optimization of collateral management and establishing rules for the acceptability, assessment, monitoring and management of guarantees and collateral aligned with general and specific requirements established by the Regulator;
- integration of the above mentioned guidelines in collateral management processes within the Group with particular focus on legal certainty requirements;
- implementation of adequate IT tools that support managing the collateral process, starting with the assessment and acquisition of collateral to the monitoring and enforcement of collateral. The implementation of the IT system made it possible to gather, manage and archive the data needed to verify whether regulatory requirements have been met and to calculate risk indicators.

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

In addition, the development of advanced rating systems and their introduction in corporate processes have resulted in the need to establish at both the Parent Company and individual entities a validation process of the rating systems and an enhancement of the activities required to the Internal Audit with respect to such systems.
The purpose of the validation process is to express an evaluation concerning the proper functioning, predictive ability and overall performance of the IRB systems adopted and their consistency with regulatory requirements specifically through:

- the assessment of the model development process with a particular emphasis on the underlying approach and the methodological criteria supporting the estimate of risk parameters;
- the assessment of the accuracy of estimates of all major risk components through the rank ordering analysis and parameter calibration analyses, also through an adequate benchmarking practice;
- the check that the rating system is actually used in various management areas;
- the analysis of operating processes, monitoring safeguards, documentation and IT facilities related to the rating systems.

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

For Group wide systems, whose respective methodology is unified at Group level and for those developed and applied in UniCredit Spa, the responsibility is assigned to the Parent Company, while for other local rating systems this responsibility is attributed to each Legal Entity. With reference to local rating systems outside UniCredit S.p.A, the Parent Company is still responsible for the initial and on-going evaluation of the proper performance of development and validation activities carried out locally and the proper operation of the rating system also by providing suggestions generated by internal and external benchmarking that are aimed at following best practices. Based on the revalidation process, the Parent Company issues Non-Binding Opinions on local rating systems both in the initial and in the ongoing phase.

The department responsible for validation procedures is independent from the units responsible for developing models and from the internal audit area that audits the validation process and outcome.

The validation process is mainly based on the following leading principles:

- introduction of validation planning prioritization criteria allowing to focus the efforts on the most value added activities in terms of risk control;
- definition of the analysis depth according to portfolio materiality, potential warning signals in terms of model performance and importance of changes performed on the systems;
- homogeneity across the Group of the recommendations importance assignment and the overall evaluation on the system according to the validation outcomes;
- the monitoring of the recommendations raised by the validation function.

Moreover, the department responsible for the validation activities has established and maintains guidelines for validating rating systems aimed at a convergence towards standard validation procedures, thereby ensuring that the criteria for assessing results are shared also through the introduction of standard common thresholds and the comparison between the different systems. The use of thresholds makes it possible to depict test results using a stop-light system whose colors are associated with various levels of severity of the phenomena reported.

Special emphasis was placed on establishing a standard approach for validating models by identifying minimum test requirements and methods for reporting the related results. Tests are divided into qualitative and quantitative analyses:

- the qualitative section is used to assess the effectiveness of the methodology used to create the model, the inclusion of all significant factors and the ability to depict the data used during the development phase;
- the quantitative section assesses the performance, stability and calibration of the overall model as well as its specific components and individual factors.

A hierarchy of the above analyses has been established that provides details as a function of the specific (initial or on-going) validation. In fact, need for certain tests is dependent on whether critical areas are identified in the performance of analyses at the next-highest level.
Additional areas of analysis, related to the organizational requirements stated in the European Regulation of reference are internal use, reporting, IT, data quality and governance.

The data and documents related to the validation procedures done so far are saved in special storage areas ensuring rapid access to, and security of, the information as well as the ability to reproduce all analyses performed.

The results of internal validation activities, that involve each component of the rating system (methods, process, IT and data quality), are summarized in a report, submitted to the attention of the Top Management and of the Regulators. The annual validation report has the aim to show the level of compliance of the IRB rating systems in the Group displaying the main areas that show need for improvement .

Aim of the Internal Audit activity is to check the functionality of the controls carried out on internal rating system. The activity consists in the verification of:

- the compliance of IRB systems with regulations;
- the effective use of rating systems for business purposes;
- the adequacy and completeness of the rating validation process.

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

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

In accordance with its mission UC IA directly audits UniCredit S.p.A. and, when needed, the Legal Entities of the Group, also managing the coordination of the activity of subsidiaries internal audit functions.
The audits necessary to assess the functionality of the rating systems are given suitable space in the Group audit planning process. These planning activities are centrally organized by UC IA, which arrange their inclusion in the local internal audit in accordance with the single Group legal entities. UC IA then monitors performance of these audits through a specific function and, in case of any deviation from the plan, contacts the entity.

Moreover, UC IA draws up an annual summary report which presents an assessment of the Internal Control System's overall functionality, describing, inter alia, audit outcomes and highlighting the main criticalities and shortcomings found, and recommending corrective measures.
Finally, UC IA regularly reports on its activity and results to the Parent's Board of Statutory Auditors, the Internal Control & Risks Committee and the Board of Directors.
On the basis of validation activities and of the Board of Statutory Auditors opinion, the Board of Directors annually confirms that the requirements for the use of IRB systems in UniCredit Group are fulfilled. (The resolution for 2016 was made on March 10th, and for the year 2017 is scheduled for March 13th.

## Sovereign (Central governments and central banks)

### Group wide models

*Sovereigns' Rating model*
The approach used for the development of the country rating model is "shadow rating" whereby an attempt is made to replicate the ranking capabilities of external (ECAI) ratings using macroeconomic and qualitative factors.
Two separate models were designed for emerging and developed countries (EM and DC respectively).

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

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

The internal validation conducted the analysis on model application, including performance, calibration and stability tests. The performance tests prove satisfactory results, with the exception of few quantitative factors, whilst room for improvements was detected in some areas, most notably on the calibration side and they will be monitored in the yearly basis control activities.

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

For the quantitative module, the explanatory variables selected are as follows: the current account balance as a percentage of GDP, the fiscal gap, the excess budget revenue and the real effective exchange rate. The qualitative module includes variables concerning the stability of the financial system, socio-political conditions, debt service and geo-political risk.
An analysis of model application was performed by the Group Internal Validation, highlighting the ability to discriminate countries between Developed and Emerging Markets. Further a benchmark exercise was conducted using external data.
The current versions of the PD and LGD models, as described above, have been implemented since June 2014.

Besides the PD/LGD methodology, the validation assessment covered also the IT and process features, including more relevant aspects on the input data quality.

## Banks (banks and other financial companies)

### Group wide models

*Banks Rating model*
The approach used for developing bank ratings, which are defined as "shadow ratings", attempts to replicate the ranking capability of external ratings using a combination of quantitative and qualitative factors.

It was decided to develop two different models – one for banks resident in developed countries (DC) and one for banks in emerging markets (EM) – since it is believed that there are different risk drivers for the two segments.

The final quantitative module for domestic banks resident in developed countries (DC) covers several categories of factors: profitability, risk profile, size and funding.
The situation is similar for banks in emerging countries with different weightings for factor categories: profitability, risk profile, size, capitalization and funding.

Specific adjustments to be applied to the PD resulting from both EM and DC are expected to consider the following aspects:

- the three types of support (if any) provided to banks - by the government, by the economic group to which they belong, by an Institutional Protection Fund; these factors are discussed separately, in a homogeneous (based on PD) and non-additive way (only the one with more mitigation effect is actually applied).
- the country risk factor in general (considered in the calibration phase of the model); in this context, the model considers the country risk and the more specific transfer risk, i.e. the risk that the debtor is unable to obtain foreign currency to meet its obligations, even though it has the corresponding local currency.

The rating scale model is based on the default rates implied by external rating.
During a revision in order to properly measure the credit risk of exposures to counterparties Securities Industry (SI)[12], a specific model was developed. The approach used for the Securities Industry is similar to that adopted for commercial banks, however, it provides that the support of the economic Parent Company, particularly important in the SI segment, is estimated as a separate module through the development of qualitative answers.

The scope of the rating system Banks was also extended to those subsidiaries that are involved in a corporate treasury activity or funding vehicles through the specific model of CTFV (see section "Multinational Corporate Rating model" ).

The validation activities performed on the current model covered aspects of the model structure and performance analysis, calibration, stability tests. Additionally validation activities are conducted on a yearly basis analyzing the application of the PD model to the UniCredit bank portfolio.

A new methodological revision of the models has been performed, which also involves the LGD parameter: The internal control function's assessment on the revised models (PD and LGD) was completed and the new model refinement is under Supervisor assessment.

*Banks' LGD model*
The model developed is based on an expert basis. The methodology is currently only applied to senior unsecured performing loan exposure, which represents the majority of exposures to banks. Then the application of advanced methodologies (common to several Group wide segments) has been extended to junior exposures. Currently, the LGD model estimate covers both commercial and investment banks (Securities Industry).
The individual LGD value is calculated starting with an analysis of financial statements by simulating the recovery in case of default deriving from the liquidation of different categories of the bank's assets after repaying any creditors with a higher level of seniority (the current version of the model provides a more refined treatment of the deposits, considering the possible priorities under the local regulation).

In order to obtain a realistic and conservative valuation of the bank's assets, "haircuts" have been established for each type of asset to take into account the likely deterioration that occurs before default, the differences between market and book value and between market value and sales earnings (the current version of the model provides more haircuts to be applied to the mortgage loans value in the financial statement of the counterparty).
In addition, based on the fact that the success of the recovery phase largely depends on the applicable legal/institutional environment, specific haircuts have been introduced for each country to take into account the legal risk.

[12] The SI segment is represented by counterparties which are occupied in activities of *broker/dealer*, *merchant/investment banking*, *corporate finance*, *M&A e Wealth Management* and include both "pure" SI companies, for which these activities are absolutely prevailing, and "hybrid" banks, that are equally dedicated to commercial and investment activities.

Finally, haircuts reflecting the costs of the recovery process have been included based on the assessment of workout experts. Since the assets of the borrowing bank are stated in local currency, but the final recovery must be estimated in the currency of the creditor, an additional haircut is applied to assets in local currency that is tied to exchange rate volatility in order to take depreciation risk into account.

Within the banks segment, the LGD framework has been improved to reflect more accurately the typically lower risk profile of some specific products (or transactions), in particular with respect to covered bonds and products with country risk mitigation. In relation with covered bonds, two different values of LGD have been defined to be applied on the basis of the country of the issuer and to confirmation by the responsible credit analyst that the emission of the specific covered bond issuer is in line with local market standards.

For products with country risk mitigation, the counterparty LGD is reduced according to the contribution of country risk on the counterparty total PD, through the application on LGD unsecured of a recovery factor of the specific transaction (Transaction Specific Recovery factor). Within the banks segment, the reduction of LGD applies to a particular type of product: short-term commercial loans between banks (Short Term Commercial Financing).

The Group Internal Validation has checked the application of the current LGD model to the UniCredit portfolio. As for the PD model, new model refinement was developed and the assessment of the internal control function was completed.
Besides the PD/LGD methodology, the validation assessment covered also the IT and process features, including more relevant aspects on the input data quality.

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

### Group wide Models

*Multinational Corporate Rating model*
This rating model applies to multinational companies defined as companies with consolidated turnover or operating revenues greater than €500 million for at least 2 consecutive years (the definition of the segment has recently been clarified to reflect the decision to remove the *leasing* and *factoring* companies from the scope of application MNC).

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

The quantitative module covers several categories of factors such as capital structure, profitability, interest coverage and size. The result of this module is a quantitative *score.*

The qualitative model consists of a set of questionnaires that analyze corporate aspects such as management quality, the industry sector performance, market share, etc. The result of this module is a qualitative *score*.

The quantitative and qualitative scores are then integrated and the result is converted into a PD (through an estimated function during calibration phase). Specific PD adjustments have been planned in order to consider the following aspects:
- the support (if any) by the economic group to which the company belongs (based on an average of PD),
- the country risk factor in general (considered in the model calibration phase); in this context, the model considers the country risk and the more specific transfer risk, i.e. the risk that the debtor is not able to obtain foreign currency to meet its obligations even if in possession of relevant local currency.

Starting from 2012, the Group wide Multinational Corporate (MNC) rating system is adopted also for the Italian Large Corporate (ILC) portfolio, which includes all companies with an operating revenues/value between €250 and €500 million. A recalibration of the PD model has been performed during 2012 and implemented starting from June 2013.

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

The Group Internal Validation has checked on an ongoing basis the Group wide Multinational Corporate (MNC) rating system based on a complete assessment of quantitative and qualitative analyses also considering all the information retrievable from external providers to perform an exhaustive benchmarking activity. The periodical internal validation outcomes detect rooms of improvement of the model, in particular regarding the calibration topic. For this reason, and in order to keep updated and to improve the model performances, two parallel activities are currently ongoing: a recalibration of the current PD model and a process of complete PD model revision.

In addition to the methodology, the validation activity was done on all IT and process aspects, including the most significant data quality aspects. In particular, a high number of external ratings changed by the user has been detected, however it is remarked that the external rating information is not used for the rating calculation; moreover the share of aged rating is constantly monitored each quarter.

*Multinational Corporate LGD model*

Given the lack of historical time series of internal recovery rates for Multinational companies (since this is a portfolio with a low risk of default), a regressive-statistical model, mainly based on recovery data provided by an external provider has been developed.

The LGD model only refers to senior unsecured exposures towards performing companies (advanced methodologies common to several segments of Group wide are applied to juniors exposures).

More in detail, the LGD model consists of four main phases (in which is incorporated the add-on, that takes into account the negative phases of the economic cycle, downturn):

- in a first phase, a total of LGD counterparts (Overall LGD), independent from the seniority of creditors, is calculated on the basis of financial statements' quantitative factors;
- in a second phase, on the basis of a qualitative questionnaire, the variation on the increase of the senior unsecured Bond debts LGD is calculated, determining the Gross senior unsecured Bond LGD;
- then the LGD is adjusted to take into account the legal risks and costs related to the recovery process (Adjusted Senior Unsecured Bond LGD);
- to the final value of the unsecured Bond LGD (applicable to the bond debt) is applied a conversion factor that allows to obtain a Loan LGD (Final LGD Senior Unsecured Loan) which is lower, because it considers the probability and effects of the debt restructuring, typical of bank loans and similar products that are the most representative part of the UniCredit Group portfolio. Similar as with the PD parameter, also the Loss Given Default of the Multinational Corporate system has been extended to the Italian large Corporate segment (ILC).

The LGD framework properly reflects the lower risk profile typical of some specific products (or transactions), in particular, products with risk mitigation. Within the scope of the MNC segment, a special class of transactions has been considered, those in which payment is guaranteed by the sale of assets to a third party resident in a low risk country (Only Delivery Risk).

The Group Internal Validation checked on an ongoing basis the design of the model and the quality, the model performance and its level of conservatism. . The model provides very stable LGD estimates which are concentrated around the average values highlighting low volatility .

In addition to the methodology, the validation activity was done on all IT and process aspects, including the most significant data quality aspects.

*Global Project Finance rating model (GPF)*

The Group wide rating model Global Project Finance (GPF) is dedicated to project finance transactions with total volume of project debt over € 20 million and has an estimation approach based on a combination of 21 qualitative factors assessed through a questionnaire. The analysis is performed by pooling the risks of the project in 5 areas of interest: the risk connected to the sponsors of the project, the risk of completion, operational risk, "special" risks (e.g. Risk of an earthquake, interest rate risk) and the risk associated with cash flows.

The model was revised in 2011 with the aim to decrease the judgmental elements influencing the rating decision and therefore to increase the statistical predictive power of the whole system, also trying to address and remove the weaknesses identified by the internal validation and audit functions or by the Supervisors. The revision of PD optimized the existing expert based PD model in a statistical way, in order to limit the number of possibilities for manual adjustments.

The main changes to the PD model compared to the previous version are:

- optimization of the statistical weights of single factors (expert based); the use of a statistical approach for estimating the weights of the model increases the predictive power based on the historical default;
- a general model standardization, with a limitation of manual adjustments on rating only to the practice of "override" (only the "weak link" feature, to downgrade a rating in case of negative signals, has been maintained);
- a new treatment of completion risk which allows to reduce weight factors along with the progress of construction and when the project begins to produce cash flows;
- an explicit consideration of country-induced risk (general and transfer) has been implemented as an add-on on the intrinsic score/PD dependent on the PD of the country;
- a more detailed description of risk factors in order to enhance the objectivity of the assessment.

The Group Internal Validation has checked the model structure, the performance at the aggregate level of risk areas and of single factor. It has also analyzed the stability, the adjustment mechanisms and override, the calibration of the estimates and performed a benchmarking analysis, although the availability of external ratings has been limited. All these analyses have focused on the Group GPF main portfolios within the Entity: UniCredit SpA, UCB AG, UCBA AG.

The outcome of the validation activity performed during 2014 highlighted some room of improvement on model calibration. Measures for improvement have been taken by development team in 2015 via a model re-calibration calibration implemented in January 2016.. The Group Internal Validation judges as adequate the re-calibration activity, and some preliminary analyses prove that the new calibration adds conservativism to the model estimation .

Also the aspects related to processes, data quality and IT procedures for the revised GPF rating system, have been subject to internal assessment of the Group Internal Validation.

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

The original version of the model was essentially based on the "distressed assets" method developed by S&P's, which examines the distribution tail of the project value, in the region where default has occurred and, thus, defines the LGD probability distribution as a distribution of "debt minus asset value" in this region. This general framework has been then adapted to real practices and to the business standard procedures in place in the Group, through the adoption of certain changes concerning the calculation method of the asset value, the determination of the default region and the introduction of appropriate "volatility scorecards" calibrated by sector and based on a specific set of questions.

With the revision implemented in 2011 activities aimed at refining the LGD methodology improving the model performance were carried out. The measures taken, first, concerned the simplification of the methodology "distressed assets" (the elimination of explicit determination of the value of assets, replaced by direct calculation of the ratio between debt and the (maximum) value of "distressed assets" (DMDA ), on the basis of a qualitative questionnaire; and with the removal of "volatility scorecard"). Furthermore a scenario of "extreme event" has been introduced, which is characterized by very high losses, in addition to the "standard" scenario based on the methodology "distressed assets". The probability of "extreme event" is determined based on responses to a qualitative questionnaire and used as "weight" of "standard" and "extreme event" weighted average LGD: that average is the expected LGD.
Also add-ons that take into account the negative phases of the business cycle (downturn add-on) and recovery costs were explicitly considered. The model structure has been updated allowing parallel calculation of LGD for senior positions and for those junior.

In this context, the annual validation of the model, performed during 2016 , confirmed the overall positive outcome verifying that internal estimates have a good level of conservatism compared to external benchmarks available.

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

With reference to the material change submitted for approval to the Supervisory Authority, the Group proceeded to the withdrawal of the authorization request in February 2016, reserving the right to assess a possible model revision according to the regulation that is expected to be issued in this regard.

During the 2016 activities, Group Internal Validation performed some quantitative analyses and specific back-testing in order to verify the r EAD model which is currently in production.

## Local models, Italian Legal Entities

*Italian Corporate Rating model*
The Integrated Corporate Rating (RIC) model provides a rating for the counterparties of UniCredit S.p.A. afferent to the Mid-Corporate segment with revenue (or total assets if revenue information is not available) from €5 to €250 million.
The structure of the rating system consists of three basic modules, two of which are quantitative and one qualitative:

- the economic-financial module, that considers the financial statements information in the archives of the Central Financial Statements Archive (“Sistema Centrale Bilanci”) (cash flow and profitability, financial charges, financial structure and composition of debt, financial stability and liquidity; growth, volatility and operational structure);
- the behavioral module, that, considering only the external source data obtained by both first sending streams and return ones of Central Credit Archive (“Centrale Rischi”), allows customers' monitoring either toward the Group and the entire banking system (cash loans: withdrawal, short-term maturity, long-term maturity, self-liquidating loans; loan guarantees: commercial, financial; collateral);
- the qualitative module, that considers the answers to the questions of the qualitative questionnaire filled out during the application phase. Unlike in previous versions of the model, the qualitative component was developed with a total statistical approach.

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

The model is differentiated for Real Estate exposures. The Real Estate modules are designed to take into account the various types and riskiness of these counterparties.

The Real Estate corporate model is used for counterparties having the "05" balance structure (Real Estate Companies) according to the classification of “Centrale Bilanci” and total assets in excess of €5 million, consistent with the customer management segmentation adopted by the Bank and with its credit processes. It is mainly based on the development of an economic / financial ad hoc component and the consequent integration with the qualitative RIC for industrial enterprises or behavioral RISB (“Centrale Rischi” and internal behavioral).

The stand-alone evaluation of the counterparty is integrated with information of the Economic Group they belong to, where appropriate, taking into account the type of bond and the creditworthiness of all component companies.
The gaps of the model currently in production will be overcome with the implementation of the new model developed by the Model Development function during 2014, positively evaluated by the Validation function and subsequently subjected to Audit. These amendments were submitted for approval to the competent Supervisory Bodies in February 2015. In view of the received recommendation, the above changes will be embedded in a broader revision of the model that will be submitted for approval to the Supervisory Authority during 2017

During the second half of 2016, the calibration time series of the model has been updated with the extension of central tendency time horizon, including 2015.

The quantitative assessment performed by Group Internal Validation confirms the positive evaluation of the time series extension: the rating system shows good level of capability to discriminate between good and bad obligors, as well as positive outcomes in terms of calibration and concentration

*Local Italian Corporate LGD models*
The current models for the calculations of the LGD risk parameter were revised in 2012 and implemented during 2013. The revision has been undertaken to improve the effectiveness and the adequacy. In particular, in addition to main changes to the model already in use for "performing" customers, the model was newly developed for the LGD estimation of defaulted loans, differentiated by their default state.

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

For "Defaulted Assets" LGD models for non-performing loans, doubtful loans, and past due, a statistical approach has been adopted that allowed to incorporate in the estimates the information related to the permanence period in a defined state and to the trends of the previous recovery period.

The main difference between the new "Defaulted Assets" LGD models and the previous single modules for "Non Performing", "Doubtful loans" and "Past Due" is that, while the latter estimate the loss rate at the time of their entrance to default (time T0), the dedicated new modules estimate the loss rate referring to the vintage of the relationship, at the time in which the specific counterparty is located in default (so-called Time Dependency) taking into consideration, therefore, also available information after the moment of default itself.
A further step towards greater functionality and representativeness of the models is the recognition of the mitigating effect of guarantees on the estimates of the loss rate obtained with the implementation of rating systems “Confidi” and “Guarantors”. The Guarantors Individuals rating system expresses an overall opinion on the creditworthiness of the Guarantor that results from the integration of elementary modules that merge the information retrieved from internal and external information sources. With regard to the “Confidi”, given the nature of low default of the reference portfolio and the absence of external ratings the modules are primarily developed on expert base.
The methodology has therefore pursued the goal of reflecting the evaluation, in terms of risk, of the Confidi specialists, collected during the development of the model. The LGD of Confidi has been developed following the methodological approach used for banks, although “ad hoc” measures have been introduced in order to manage their specific peculiarities.

In the last quarter of 2016, the competent Development function carried out the calibration of the LGD Corporate model with the extension of the time series including the 2015 and some minor refinements .
During 2016, Group Internal Validation completed the validation activities following the latest extensions of time series confirming the adequacy of the model and positively evaluating the enhancements introduced to address some previous GIV recommendations. Nevertheless it was restated the opportunity to simplify the model framework for those components which are unable to significantly improve the accuracy of the estimates

*Local Italian Corporate EAD models*
In accordance with the regulatory prescriptions and with the progressive rollout Plan of IRB methodologies for credit risk, the Group developed the estimation of a model of the Exposure at Default (EAD) for the Italian authorized systems "Integrated Corporate Rating (RIC)" and "Small Business Integrated Rating (RISB)".
During 2014 anyway the behavioral monitoring process for corporate counterparties has been revised which impact could potentially highly affect the developed models. These impacts have been assessed in 2015 and 2016 with no resolute outcomes. For this reason a re-assessment with more robust data of the new monitoring process, has been planned in 2017 in order to evaluate further potential model changes on EAD parameter.

## Local models, German Legal Entities

*Mid-corporate rating model (MIT)*
The "Mittelstandsrating" model applies to German corporate UCB AG customers with a reported turnover between 5 million and 500 million EUR, excluding Specialized Lending and Real Estate customers. It comprises also public sector entities not guaranteed by public authorities with valid financial statements.

The current model version has been introduced in 2011, with four newly developed industry specific hard fact models exclusively for mid corporate rating model.

The model comprises a quantitative and a qualitative module. The score resulting from the analysis of financial statements is complemented by additional factors, resulting in a partial hard-fact rating. The qualitative model provides the partial rating for the company's situation. The final rating is created by combining the two partial ratings.

The quantitative module consist of four different financial statement sub-modules (MAJA - Maschinelle Analyse von Jahresabschlüssen") depending on the company's industry sector (Production, Trade, Construction, Services).
Each of them combines a set of financial ratios that cover areas of analysis such as:

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

The automated assessment of the financial statement is complemented by additional factors regarding current company development, quality of financial statement and specifics of industry sector.
The qualitative module covers areas of analysis concerning:

- financial conditions;
- management qualification;
- planning and controlling;
- industry/market/products;
- special risk;
- industry sector rating.

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

The mid corporate rating model is subject to annual validation and if necessary to calibration activities over time. The results of the internal on-going validation report, generally, confirm the good performance of the mid corporate rating model and according to the last GIV Quarterly Monitoring activity (September 2016) model estimates result overall conservative.
This rating model is adopted also by UniCredit Bank Luxembourg S.A. and UniCredit Leasing GmbH and subsidiaries as well.
With reference to the LGD model see as described in paragraph "*Local German LGD model* ".

*Foreign Small and Medium Sized Rating Model (FSME)*
The Foreign Small and Medium Sized Rating model (FSME) applies to corporate customers domiciled outside Germany with a reported turnover up to 500 millions EUR, excluding Specialized Lending, Real Estate customers, Financial Institutions and Public Sector entities.

The rating procedure was implemented in 2009. Due to an initial lack of data, it has been based on externally developed hard fact models from Moody's and complemented by internal qualitative components. Currently, UniCredit Bank AG is using 24 mostly country specific external models to cover the relevant portfolio that refers to about 50 different countries. The latest approval by the German regulator concerning a model extension was in June 2013.
The rating is assigned to these counterparties based on an external country specific quantitative component, which is integrated with an internally developed qualitative module leveraging on the correspondent module defined for German Mid Corporate segment.
Also for this model rating aging restriction rules are considered as well as possibilities of override.

The Foreign Small and Medium Sized Rating model (FSME) is subject to annual validation and, if necessary, to calibration activities over time. The results of the local internal ongoing validation report generally confirm the good calibration of the FSME rating model confirmed by the last GIV Quarterly Monitoring activity (September 2016) delivers The predictive power of the model, instead, showed a deterioration in the last cohorts analysed; moreover, the GIV assessment issued in the second part of the year highlighted some areas of improvement on the qualitative aspects of the model.
This rating model is adopted also by UniCredit Bank Luxembourg S.A.

*Commercial Real Estate Finance Rating model (CREF)*
The rating model for UniCredit Bank AG's Commercial Real Estate Finance (CREF) is used to assess exposure to:

- real estate developers with published financial statements: companies with income mainly derived from construction (or purchase) and subsequent sale of buildings for residential or commercial purposes (offices, stores);
- real estate investors with published financial statements: companies with income mainly derived from the lease of owned residential and commercial properties;
- real estate investors without published financial statements: companies or individual customers with income originating mainly from the lease of own properties, whereby the rental income amounts to a minimum of 200,000 EUR per year;
- building societies: companies whose main field of operation is the letting of residential properties on own behalf and account on a regular basis. The property and facility management is performed by the building society or company in the group (no external administration) and there is no financial recourse to private individuals.

These clients are evaluated through models built combining three modules (with client group-specific weights):

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

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

The CREF Rating model is subject to annual validation and, if necessary, to re-calibration and /or re-modelling activities. The results of the local internal on-going validation report generally confirm the suitability of the CREF model for the portfolio GIV monitoring activity has highlighted a discriminatory power not fully in line with Group standards, but confirm the model conservatism
With reference to the LGD model see as described in paragraph "*Local German LGD model* ".

The CREF rating model is applied also in UniCredit Bank Luxembourg SA.

*Acquisition and Leveraged Finance transactions rating model (ALF)*
The "Acquisition and Leveraged Finance" (ALF) model is used for the assessment of projects to finance/refinance corporate acquisition transactions, in which additional bank liabilities are added to the normal operating debt of the company acquired in order to finance the acquisition.
The debt resulting from the acquisition is repaid out of the future cash flow of the company acquired, and, in certain cases (i.e., acquisitions that involve strategic investors), out of the cash flows of the acquiring company.
Acquisition transactions and their corporate and tax implications (often involving several jurisdictions) demand specific expertise during the audit phase, and require:

- appropriate risk-return relationships in addition to a loan structure based on a realistic cash flow simulation model;
- the adjustment of the acquired company's financial and debt repayment structure to future cash flows;
- the combined use of highly differentiated borrowing tools (senior debt, junior debt, mezzanine debt, etc.).

In terms of procedural aspects, the "ALF rating" is essentially a financial rating that calculates the acquired company's probability of default based on equity and financial ratios taken from the forecasted (budgeted) financial statements and income statement. There is no qualitative module since in the preparation of the forecasted financial statements, a large amount of qualitative information based on experts' opinions is already implicitly taken into consideration. The forecasted financial statements are prepared through models that simulate future cash flows (INCAS, international financial model).
Also for this model rating ageing restriction rules are considered as well as possibilities of override.
For ALF a total LGD approach is applied where all the collateral is included in the LGD estimation and no explicit collateral reflection takes place. There are two seniorities (senior and mezzanine) reflecting the different LGD values.

The ALF model is subject to annual validation and, if necessary, to calibration activities over time. Based on the latest validation report the rating model resulted overall compliant, even though areas of improvement had already been identified.
This rating model is adopted also by UniCredit Bank Luxembourg S.A.

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

The cash flow model has been introduced in February 2010 and replaced the previously existing Slotting Criteria Tool. The latest minor model adjustments have been implemented in January 2015. A follow-up on-site model audit was missioned by ECB in February/March 2016.

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

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

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

Also for this model rating aging restriction rules are considered as well as possibilities of override.
With reference to the LGD model methodology see as described in paragraph "*Local German LGD model* "". There is an individual IPRE LGD unsecured. The mortgage collateral valuation is used as in the Local German LGD model.

The IPRE model is subject to annual validation and, if necessary, to calibration activities over time. Based on the latest validation report, the rating model resulted overall compliant. A re-parametrization was performed in 2015.

The IPRE rating model is applied also in UniCredit Bank Luxembourg SA.

*Global Shipping rating model for Ship financing (GLOS)*
The target segment for GLOS are ship financing transactions where the repayment primarily results from the earnings of the financed object. The vessels are pledged.

The GLOS rating model assesses the risks of transactions by taking into account mainly the charter rates of vessels, the quality of the charterers, the vessel types and the repayment schedule. This is done by a cash flow model where the variable risk drivers are drawn from their distribution and the resulting cash flows are calculated. Additionally, not quantifiable risk drivers are taken into account for the final result.
The GLOS rating model was implemented in May 2008 and approved as IRBA model in January 2009 by Regulators

The focus of UniCredit Bank AG's ship finance is the financing of ships for which a liquid, transparent, and efficient secondary market exists. This includes e.g. container vessels, bulk carrier, and tanker.

The PD calculation in the quantitative module is based on a Monte Carlo simulation. The development of the quantitative factors (e.g. the ship value) is based on the stochastic process, where the parameters are validated and estimated regularly, based on external data. The cash flows are calculated for each quarter of the financing period.

The financial rating based on quantitative factors is adjusted based on the following qualitative factors (upward or downward adaptation of PD by a certain number of notches):

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

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

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

The GLOS model is subject to annual validation and, if necessary, to calibration activities over time. Based on the latest validation report, the rating model resulted sufficiently adequate. A re-parametrization was performed in 2016.

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

The PD model is made up of a quantitative model, stemming from future cash flows' Monte Carlo simulations, whose outcome was adjusted by means of a qualitative component based on judgmental factors and weights.
Both modules, the quantitative and qualitative, are mandatory for the final evaluation and the qualitative module can upgrade up to 1.8 notches and downgrade up to 4.8 notches. The resulting final PD is converted via master scale M2 to the final rating of the transaction.
Also for this model rating aging restriction rules are considered as well as possibilities of override.
The Wind rating model is subject to an annual validation and, if necessary, to calibration activities over time.

The results of the local validation report as well as of the activities performed by GIV confirm the overall compliance with minimum regulatory requirement.
Due to changes in the Renewable Energy Law in Germany (EEG 2017), adjustments are done in the user guideline .

Regarding LGD parameter, UCB AG developed a method to evaluate the collateral value of the Wind Energy plants. This approach is mainly based on Monte Carlo simulations of future cash flows of the Wind Energy plants. The simulations are consistently used for PD and collateral evaluation. Additionally a LGD on the unsecured exposure is determined. With reference to the LGD model methodology see as described in paragraph "Local German LGD model".

*Aircraft Finance (AIR)*
The model applies to Aircraft-special purpose vehicles (SPVs) where the repayment primarily results from the earnings of the financed aircraft SPVs. Additionally, UniCredit Bank AG needs to have a significant degree of control over the aircrafts and the income generated by the aircrafts, no other significant assets or income apart from the aircrafts being financed exist and the company is not active in any air transportation business.

The cash flow model has been introduced in December 2012 for managerial purposes. The model was approved IRBA compliant by BaFin in February 2015 for regulatory reporting.

The model comprises a quantitative cash flow simulation module and a qualitative soft fact module, which allows an upgrade up to 6 notches and a downgrade up to 9 notches.
Also for this model rating aging restriction rules are considered as well as possibilities of override.
The AIR - rating model is subject to an annual validation and, if necessary, to calibration activities over time.
Regarding LGD and collateral parameter, a separate method for Aircraft is in place. The collateral value of the pledged aircraft is determined by simulating the future cash flows (from lease rental rates) over the economic lifetime of the aircraft following a net present value approach. The simulation results are consistently used for PD and collateral evaluation. The collateral values and corresponding appraiser values are subject to an annual update and parametrization. Additionally, a LGD on the unsecured exposure is determined.

*Local German LGD model*

The scope of application of the UCB AG Local German LGD model is all the facilities related to corporate and retail customers, except for bonds, ALF and all specialized lending.

The LGD represents the financial loss suffered by the bank on the individual transaction, and is calculated as a percentage of the exposure to default. The LGD is calculated for each individual transaction and takes account of the fact that different types of default are possible:

- Liquidation: total liquidation and the relationship with the customer is terminated, the customer is removed from the portfolio.
- Settlement: the customer re-enters the performing portfolio after reporting a major loss (>= €100) to the bank.
- Cure: once the period of difficulty is over, the customer re-enters the performing portfolio without reporting a major loss to the bank (<100 €).
- for all different types of defaults a forced sale of collaterals is basically possible.

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

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

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

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

- real estate;
- other collaterals.

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

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

The LGD model is subject to annual validation and, if necessary, to parametrization activities over time. Based on the latest validation report, the LGD model resulted overall compliant. An annual parametrization is performed. Last follow-up on-site model audit was missioned by Bundesbank in September/October 2014.

*Local German EAD model*

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

The EAD is defined as the exposure at the time of default. The exposure is the total outstanding amount before loan loss provisions and write-offs. The prediction horizon of the EAD model is one year. This means that, when the model is applied, the estimates refer to the expected exposure when default occurs within one year time.

It is calculated for each individual transaction as the sum of two components, EAD on Balance and EAD off Balance, where the estimated part of the EAD is the off balance EAD.

This EAD depends on the following elements:

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

The parameters defined above are then differentiated according to the product macro-typologies defined. For the purposes of evaluating the model, the parameters have been assessed by calculating on the basis of the averages for each segment.

The EAD model is subject to annual validation and, if necessary, to parametrization activities over time. Based on the latest validation report, the EAD model resulted overall compliant. A parametrization was performed in 2016.

## Local Models, UniCredit Leasing GMBH and Subsidiaries[13] (UCLG)

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

*Specialized Lending (Slotting Criteria)*
UCLG uses the slotting criteria approach to assign IRB risk weights according to CRR §153 (5) for the specialised lending portfolio. The validation results in 2016 showed that the ratings applied for specialised lending exposures at UCLG meet the regulatory requirements to map the internal scores to regulatory predefined categories. The process put into practice in UCLG is deemed consistent with the regulation as no significant misalignments have been identified.

*Local LGD model*
The local LGD model is applied to all contracts of customers belonging to Unicredit Leasing GmbH and subsidiaries (except for Mobility Concept), with the exception of:

- All exposures to customers rated with Group wide rating models (i.e Banks/Multinationals)
- All exposure to Leasing companies
- Object or project finance.

The calculation of LGD is generally carried out on the so-called contract component level and follows the logic that a different economic loss occurs for:

- *Settlement*: objects underlying the leasing contract are liquidated, the exposure of the Bank is recovered by relevant proceeds; if proceeds are not able to cover the whole exposure, the residual part is written off.
- *Recovery*: a lessee can recover through a natural recovery (disappearance of the original default characteristics) or through debt restructuring.

Other parameters are considered in the estimation process:

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

In detail, an LGD estimate is allocated at the beginning of the agreement and revised periodically at trigger dates. With reference to the LGD at settlement the estimations for performing business and defaulted business each depends on a class assignment (low LGD class 1 or high LGD class 2). Each of these classes has its own model based on an own linear regression, whereas the LGD recovery is defined considering the type of customer and the industry sector in which the customer operates.

The total LGD of a contract depends on the contract type (credit or leasing) and on the contract state. Specifically, a dynamically adjusted LGD methodology was developed with respect to the states a contract can pass through during a customer relationship (commencement date of contract, default date, date of settlement decision, date of liquidation). Moreover, the total LGD calculation considers a number of additional factors: a downturn-factor, a factor for possible misclassifications of the model and an additional factor for defaulted assets, where the asset has been liquidated.

During the local validation and parametrization activities carried out in 2013 a special focus was set on the modelling approach with regards to the clustering of high and low default components, substituting of the nearest neighbor method with a logit model. Specifically, the particularly burdensome iterative process previously adopted for high and low LGD values discrimination has been replaced with a more intuitive and robust statistic model. Moreover, it is worth mentioning the introduction of a business type specialization and the quantification of an adjustment to Performing LGD for economic downturn effect inclusion. Furthermore, the Defaulted Assets LGD estimation was differentiated also with respect to the current credit facilities situation.

In the first part of 2014 Group Internal Validation carried out a revalidation activity on model revision performed in 2013, noticing a positive situation. Finally, during 2014, further development activities were carried out on the model in order to address Group Internal Validation recommendations, in particular

- *Removal of High- and Low-LGD classes:* all contracts are assessed by a newly parametrized common model (still separated for performing and defaulted business).The safety premium used to cover estimation errors in the assignment to low or high LGD class has consequently been removed.
- *Downturn Factor for defaulted contracts:* the downturn factor will now be applied not only to performing, but also to defaulted contracts, in order to cover additional unexpected losses observed during the default period As a consequence the correction aimed at covering additional losses after liquidation has been removed.
- *New definition of credit business:* all contract types not allowing proceeds exceeding the exposure at default are summarized as "credit business" and subject to the same treatment with respect to negative LGDs.
- *The differentiation between credit business" and "leasing business"* is used as a factor in the models and therefore the floor for credit business, which has been used before, has been removed.

[13] UniCredit Leasing Finance GMBH, Structured Lease GMBH, UniCredit Leasing Aviation GMBH

This model has been locally validated in the first half of 2015 and has been object of Group Internal Validation assessment in the second half of 2015. Despite the clear improvement brought to the model the analyses detected some room for improvement, with particular regard to the model for defaulted customers, not fully in line with the latest positions expressed by the EBA. A pre-application for regulatory certification has been made at the end of October 2015. The final application of this model has been submitted at the end of December 2016.

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

EAD is calculated on transaction level . Credit conversion factors for off-balance exposure for purchased receivables are used according to European Regulation 575/ 2013 (CRR).

For credit lines conversion factors are estimated for the off-balance exposure.
The overall validation activities in 2016 showed a fully adequate result.

### Local Models, Austrian Legal Entities

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

- size;
- structure of liabilities;
- dynamic factors (such as ROI);
- equity ratio.

The qualitative module, on the other hand, covers the areas of analysis relating to:

- management quality;
- accounting and reporting;
- equipment, systems and organization;
- market and market position;
- level of orders/utilization of capacity;
- overdraft behavior.

The “qualitative rating” and the “final financial rating” (= quantitative rating after verification of the possibility of applying an “age restriction” and carrying out a first “override” on the basis of the information available) are combined to obtain the so-called “Combined Customer Rating”.
The “warning signals” are applied to this rating in order to obtain the “Modified Customer Rating. It is also possible to apply an override to this rating, thus producing the “Stand alone Customer Rating”. If this rating is older than 15 months, an “age restriction” is applied, resulting in a downgrade.

*Non Profit Joint Building Association rating model*
The “Non Profit Joint Building Association” (NPJBA) rating model is applied to non-profit associations created for the construction of buildings.
This is a rating model consisting of a quantitative component (financial rating) and a qualitative component.
The financial rating is based on three principal types of information:

- adequacy of the available capital;
- profitability;
- available liquidity.

The qualitative rating, on the other hand, is based on 6 basic components:

- quality of management;
- accounting and reporting;
- organization;
- market position;
- performance behaviour;
- specific characteristics of the NPJBA.

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

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

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

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

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

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

After integration of the transaction rating and the counterparty rating, further adjustments are applied to take account of warning signals, over rulings and "age restrictions" (according to the age of the rating).
The actual version of the IPRE rating model considers updated macroeconomic scenarios underlying the simulation and introduces a conservatively factor in the calibration as suggested by the local validation.

All IRB Corporate PD as well as LGD and EAD models (see below) have been validated on a yearly basis, specifically ongoing validations have been performed on the Mid Corporate, Non Profit Joint Building Association (NPJBO), IPRE and Real Estate Client Rating models . Furthermore, for the LGD, and EAD models ongoing validation reports were prepared...

The validation results for all models showed some aspects to be improved, nevertheless no critical issues have been identified. The validation reports prepared in second half-year 2016 led to the assessments "overall adequate" (Mid Corporates and NPJBO) and "sufficiently adequate" (IPRE). The revalidation activity on LGD model carried out by Group Internal Validation confirmed the absence of main issues.
In 2016, ECB has issued reports on local EAD and LGD models following respective on-site inspections. Both models were confirmed with some regulatory findings to be addressed, no critical issues were raised.

*Local Austrian LGD models*
The LGD model developed by UCBA applies to all facilities related to all local customer segments (both corporate and retail).
The LGD represents the financial loss suffered by the bank, and is calculated as a percentage of the exposure at default. The local LGD model is based on average calculation of the internal data of defaulted borrowers and represents a transaction-specific workout LGD approach.
The methodology accounts for three potential default events as outcome of the workout process for defaulted clients:

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

After closure of the workout process all defaults can be associated to one of the three default events and an ex-post LGD is calculated, based on the realized revenues and costs. In doing this all single cash flows are discounted to the moment of default.
The general scheme of the LGD model provides separate estimation of the recoveries deriving from collateral and those deriving from the unsecured part of the exposure. Personal guarantees and credit derivatives are not taken into account in the models, since the substitution approach is used for this type of guarantees.
In order to determine the final value of the LGD, the following quantities are taken into consideration:

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

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

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

Concerning securities, an internal model for own volatility estimates has been implemented.
With regard to the procedure for estimating the "unsecured" part, on the other hand, this has been carried out separately for eight local categories primarily based on customer segments (the three main categories are private individuals, small business and corporate) in addition to applied group wide models (especially for Sovereigns, Banks and Multinational corporate. For private individuals and small business a further drill-down into exposure class and currency is in place.
Furthermore for the defaulted portfolio the "best estimate LGD" with a further drill-down by time-buckets for all eight local customer segments is in use.

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

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

The estimated parameters are as follows:

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

Up to 12 monthly snapshots for each transactions were used and the parameters have been estimated by calculating averages for each segment. The segmentation is based on the product categories and customer categories.
The EAD model was refined during 2014 and the application of the material model change was filed to ECB in December 2014. The regulatory assessment from the Supervisory Authority has been completed and the communication of the authorization was received on July 27, 2016.The new model - as described above - has been implemented in August, 2016.

### Local Model, Central and Eastern Europe

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

| Prevailing asset class | Type | Rating system | Legal entity |
|---|---|---|---|
| Central governments and central banks | Group wide | Sovereign (PD, LGD, EAD) (*) | UCB Czech Republic and Slovakia |
| Institutions | | Banks (PD, LGD, EAD) (*) | |
| Corporate | | Multinational (PD, LGD, EAD) (*) | |
| | | Global Project Finance (PD, LGD, EAD) (*) - authorized only for Czech perimeter | |
| | Local | CZ Mid – Corporate (PD, LGD, EAD) | |
| | | SK Mid-Corporate (PD) | |
| | | CZ IPRE (PD, LGD, EAD) | |
| | | SK IPRE Slotting Criteria | |
| Retail | | CZ Small Business (PD, LGD, EAD) | |
| | | CZ Private Individuals (PD, LGD, EAD) | |
| Institutions, Corporate | | Other minor Czech rating systems - Public Sector Entities, Municipalities, Religious Companies, Leasing (PD, LGD, EAD) | |
| Institutions | Group wide | Banks (PD) | UCB Bulgaria |
| Corporate | | Multinational (PD, LGD, EAD) | |
| | Local | Mid -Corporate (PD, LGD, EAD) | |
| | | IPRE Slotting Criteria | |
| Retail | | Small Business (PD, LGD, EAD | |
| | | Private Individuals (PD, LGD, EAD) | |
| Institutions | Group wide | Banks (PD) | UCB Slovenia |
| Corporate | | Multinational (PD) | |
| | Local | Mid-Corporate (PD) | |
| Institutions | Group wide | Banks (PD)(**) | UCB Hungary |
| Corporate | | Multinational (PD) | |
| | Local | Mid-Corporate (PD) | |
| Central governments and central banks | Group wide | Sovereign (PD) | UCB Romania |
| Institutions | | Banks (PD) | |
| Corporate | | Multinational (PD) | |
| | Local | Mid-Corporate (PD) | |

(*) For this rating system, only the IRB Foundation approach (PD internal estimate) is authorized with reference to Slovak perimeter.
(**) This country is authorized by Local Regulator to adopt Group wide model Financial Institution & Banks only for Commercial Bank segment with the exclusion of Securities Industry segment

The existing framework for the local Corporate exposures originally developed by Bank Austria consists of:

- a Mid-Corporate rating model based on:
  - the estimation of a financial module and a qualitative component;
  - an integration function on statistical basis
  - the definition of a warning signals set and an override system as well.

- currently some LEs are also using an internally developed Behavioural module combined with financial and qualitative ones.

- an IPRE rating model, in some cases similar to the one implemented in Bank Austria which integrates a customer rating and a transaction one (the latter defined through a regression approach for two segments and a Monte Carlo simulation method for the third one). Moreover, “country adjustments” have been included in the calibration phase in order to consider the specific nature of each country.

Specific details are provided below about main revisions of the models that have been required in order to prepare both the Foundation and the Advanced IRB application as well as to meet the relevant validation recommendations.

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

More in detail, regarding the Czech portfolio, during 2009, the Bank went through a partial review of the “Mid-Corporate” rating model with internal data, refreshing quantitative factors’ weights. During 2011, qualitative rating module was refined and a behavioural component was introduced in order to gradually converging the model to a full locally customized, as suggested by GIV through the 2010 validation.
Hereinafter, the ongoing local validation activities performed during 2012 highlighted the need to intervene in order to ensure a higher consistency of the model with the local reference portfolio and the improvement of the overall model performances. Based on that, during the first-quarter of 2013, the Bank performed the refinement of the financial and behavioral modules and the simplification of the qualitative one, along with a revision of the modules weighting function and the update of the calibration. A further revision of the model has been performed by the end of 2015 in order to refine the qualitative module as well as to align the realized with the expected default rate.

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

In the third quarter of 2015, a Recalibration of all PD scorecards covering the CZ retail portfolio (Private Individuals, Small Business) using 5- and 6-year data time series to calculate new central tendencies was performed and the Mortgage loan application PD model for the CZ portfolio of Private Individuals has been refined.

With regard to the Loss Given Default (LGD) model for the Retail portfolio (Private Individuals and Small Business), developed in 2010 with a first revision in 2012, a refinement was performed by the end of 2014 mainly consisting in the adoption of a longer development time series and the application of a simplified decision tree approach instead of the logistic regression.

By the end of 2015, a new LGD model for the CZ portfolio of Private Individuals with mortgage loans was developed based on the Regulatory request to adopt an overall LGD approach instead of the secured/unsecured one. Moreover, in 2016 a new LGD model for defaulted assets was developed with the aim of assigning specific risk parameters to the defaulted exposures. Both models are currently under Regulatory assessment.

As far as the Slovak portfolio is concerned, during the first-half of 2011, the Bank went through a refinement of the "Mid-Corporate" rating model, implying a deep customization of both financial and qualitative modules according to country specific default experience and a new calibration process was carried out. In particular, the use of internal default experience allowed for improvements both in terms of representativeness to UniCredit Bank Slovakia target portfolio and calibration. A further revision of the model, currently under regulatory assessment, has been performed by the beginning of 2016 in order to ensure a more comprehensive model design through the introduction of a Behavioral component. Moreover, starting from September 2013, UniCredit Bank Slovakia has been authorized to use the "supervisory slotting criteria approach" for regulatory capital calculation with regards to the "Income Producing Real Estate" exposures.

*UniCredit Bank Bulgaria*

As for Czech Republic and Slovenia, also the Bulgarian "Mid-Corporate" rating model during 2012 was subject to the refinement of the financial module and of the qualitative factors weights, along with a revision of the modules weighting function and a new update of the calibration. A further revision of the model, currently under regulatory assessment, has been performed by the end of 2015 in order to ensure a more comprehensive model design through the introduction of a Behavioral component.

Starting from January 2011, UniCredit Bulbank has been also authorized to the estimation of specialized lending exposures using the "supervisory slotting criteria". Then, in the course of the first half of 2015, the Bank performed a recalibration of the above mentioned approach in order to align the realized with the expected default rate.

The model calculates the score of each specialized lending exposures on the basis of 15 questions related to the following investigation areas:

- financial strength;
- assets characteristics;
- strength of sponsor/developer;
- security package.

Each of the questions is answered with only one answer to be chosen between "Strong", "Good", "Satisfactory" and "Weak":

- a specific score is identified by each question-answer combination;
- the weighted average of all the 15 scores defines the regulatory slot of the exposure;
- depending on regulatory slot and exposure maturity, final risk weight and corresponding expected loss are identified.

Moreover, following the development activities performed locally between 2013 and 2015, also Private Individual and Small Business rating systems have been approved as A-IRB compliant since July 2016.

*UniCredit Bank Slovenia*

The Slovenian "Mid-Corporate" rating model went through an ordinary re-calibration of the PD estimations in view of the F-IRB authorization, however a new re-calibration activity has been performed in the second half of 2014 in order to align the model results with the observed historical default rates. Beside this, a revision of the model is currently in progress.

*UniCredit Bank Hungary*

During 2012 the Bank performed a new refinement of the "Mid Corporate" model which has been jointly assessed by the local and Holding Company validation functions.
Such model revision has been mainly focused on the refinement of the financial module and of the modules weighting function, along with a new update of its calibration.
Finally, a further revision of the model is currently in progress.

*UniCredit Bank Romania*

Between late 2010 and March 2011, the Bank went through a refinement of the "Mid-Corporate" rating model, implying a deep customization of both financial and qualitative modules according to country specific default experience and a new calibration process was carried out. In particular, the mentioned customization enabled to overcome the main weaknesses that previously characterized the model and resulted in a general rating system improvement. The newly refined model version allowed to improve model transparency, as a matter of fact all the methodological steps can be replicated and data samples as well as factor construction procedure are stored.
In addition, during the period between June 2013 and April 2014, further refinement activities have been carried out in order to improve both Financial and Qualitative modules and ensure a more comprehensive model design through the introduction of a Behavioral component. Moreover, the new model has been redeveloped on longer time series and the target long run default rate has been redefined on a five-year period (i.e. 2009-2013).
The refined model has been authorised for the regulatory purposes in the fourth quarter of 2015.

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

### Local Model, Italian Legal Entities

*Italian Small Business Rating model*
The Integrated Small Business Rating (RISB) provides a rating for the counterparties of UniCredit S.p.A. with revenues (or total assets if revenue information is not available) up to €5 million, according to the segmentation used by the constitution of UniCredit S.p.A.
The model has been structured in order to optimize the aggregation of different informative sources, both internal (qualitative, financial, customer data and behavioral) and external (Bank of Italy's Centrale dei Rischi data flows and other private providers), differentiating lending between new or existent customers and on a corporate segmentation that reflects the company size and seniority within the market. The modules, underlying the model, are the following:

- customer data;
- external behavioral module (CE.RI./SIA);
- financial module;
- credit bureau modules (Experian and Crif);
- qualitative module;
- internal behavioral module.

Regarding the counterparties related to Real Estate Small Business segment, the model is derived from the integration of a financial module defined specifically for this type of counterparties and the set of modules in use as part of the Small Business Integrated Rating (RISB).. See RIC model section for more details on Real Estate sector.

Also with reference to the perimeter Small Business, the bank has adopted an "ad hoc" approach to assess the creditworthiness of Corporate Customers belonging to an economic group in analogy to what is indicated for the Mid-Corporate model.

The last calibration of the model was implemented in November 2016 considering the time series of default until 2015 and the calibration framework simplification, based on 5 clusters, instead of the previously implemented 18 leafs. .
The validation performed at the end of 2016 confirmed the positive the positive opinion about two calibration enhancements, that from the quantitative point of view lead to a conservative risk estimation .

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

*Private individuals Rating model*
It's worth of notice that among the Private Individual Rating, UniCredit Spa uses for regulatory purpose under IRB approach the Mortgage parameters System (PD, LGD, EAD), while the use of Overdraft & Credit Cards and Personal Loans systems is used just for managerial purposes.

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

- demographic information, income and Credit Bureau (Experian, and CRIF) figures relating to the loan requestor (holders);
- characteristics of the loan required (duration, LTV, etc.);
- balance sheet of the holders and their nucleus (financial assets and current accounts);
- information related to the company performance to which the holders are connected (if present);
- Central Credit Register (if present).

The RIP MI rating model used in post-delivery phase calculates on a monthly basis the mortgage rating of loan massively on the entire portfolio residential mortgages.
The information modules underlying the model for the behavioral phase are the following:

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

In the various validation activities it has always confirmed the possibility of simplifying the overall framework, in order to put in balance both complexity and predictive ability. In 2015 was conducted the annual recalibration activity related to default rates updated to 2014, then implemented for regulatory purposes since December 2015 ; while in the first quarter of 2016 the validation activities related to such calibration were completed.

During the second half of 2016 a forcing rule for managing in a conservative way those contracts subject to a re-menagement actions had been developed. The proposal has been submitted to ECB for Regulatory purpose and it is under evaluation.

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

The information underlying the financial / personal data module – collected during the underwriting process and rarely updated during the monitoring of the loan – are progressively underweighted in the model. On the contrary, the behavioral variables, potentially absent in the underwriting phase (new client), are definitely explicative and monthly updated during the monitoring activities. The behavioral information provided by Crif are updated on a quarterly basis.

In 2016, the calibration activity relating to the 2015 default rates it was completed and implemented into production for managerial purposes in November 2016 .The initial validation and subsequent ones have highlighted the need for a simplification of the model framework , as already mentioned for the MI RIP)

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

The use of Overdraft &Credit Cards and Personal Loans systems which have been authorized since 2010 is prudentially planned after the completion of the model revision.

*Local Italian retail LGD model*

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

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

During 2015 , with reference to the Mortgage Loans model ,a recalibration activity was carried out focused on the extension of the historical time series of the development sample in order to include data relating to 2013 and the extension to the 2014 default fir the Danger rate component.
The ongoing validation of LGD mortgages made in the first quarter of 2016 did not show critical elements. Also with reference to the current account ,overdrafts and credit cards model, the validation provided an evaluation of substantial compliance with regulatory requirements.
As for the new LGD model for Personal Loans, the validation function considers that although it represents a positive evolution compared to the previous version, there are still some areas of improvement to be addressed.

*Local Italian EAD individuals model*

Together with the adoption of the Overdraft/Credit Cards and Personal Loans rating system, the exposure at default (EAD) model has been developed. Moreover the internal model for Mortgages has been enriched with the EAD estimation internal model and has been authorized by the Italian Regulator in December 2010.
The approach used for EAD estimation consists in all cases of a methodology "within 12 months", that starts from the analysis of all the exposures performing or past due in a given date (i.e. 31/12/t) that are classified as defaulted over the next 12 months.

With regards to overdraft and credit card, the EAD estimation is differentiated according to product types: overdraft, (including the portion related to credit cards already adjusted on current account and the residual account of commercial portfolio) credit cards and endorsement loans. The EAD for overdraft differs if there is an unutilized portion of the credit line (margin) or not in the instant of observation; in particular, where this margin is available an equivalent credit (CCF) is calculated while in the absence of it only an indicator of the current usage (K) is calculated. The overdraft and credit card are managed jointly given the fact that the credit card payments are charged monthly on the current account and determine on the credit card exposures which, each month, are completely independent from the movement on the previous months. Regarding, instead, the part of the credit card still not accounted, an EAD equal to the current drawn amount has been considered.

As for the endorsement loans, through which the bank accepts or guarantees a customer's obligation (transferring to itself the default risk of the customer) the EAD model has assessed the endorsement loan value at the time of default which represents a potential risk for the bank (the actual risk, or the risk that the endorsement loan becomes cash exposures, is evaluated in the LGD model).
Finally for the credit cards an EAD equal to the current drawn amount has been considered.
The model has been positively assessed by the internal control functions. With regards to personal loans, however, the analysis carried out showed that exposure at the time of default is always less than 100% of the exposure at the observation date for all the segments defined in all portfolios. For this reason it was decided not to implement the model developed and conservatively assign to each exposure an EAD equal to the current exposure, for regulatory purposes. The Validation activity does not highlight any specific issue, being substantially aligned with the development choices. In the future development phases however, the activities will be performed aimed to verify the adequacy of the application of an EAD equal to 100% of the exposure .

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

The validation activities expressed a significant positive opinion on the simplicity of the model, intuitive and suitable for a product such as mortgages, not presenting edges and on which it is particularly important to discriminate the clusters population that exceed the regulatory floor of 100 % compared to the rest of the portfolio which remains below threshold .
As for PD during 2015 also the EAD Mortgage Loans model has been recalibrated in order to incorporate the consequence of the time series lengthening of default rates until 2014 and implemented into production for regulatory purposes by December 2015

## Local Model, German Legal Entities

_Small Business rating model_
The "UCB AG SBC" rating model covers small and medium-sized German companies, i.e. with a turnover below €5 million. The model applies also to individuals with residence in Germany whose income derives mainly from freelance activities, independent work or from a small or medium-sized business in which they are major shareholders or owners.
The "UCB AG SBC" rating model is structured into four different sub-models, which are applied on the basis of the credit process phase and the approved exposure limit:

- *Scoring/Rating SBC* module (composed by two scorecards: GK1 for entity with full private liability and GK2 for entity without full private liability) is applied during the application phase to customers with an exposure greater than €50,000 and annually, on review, for partners with an approval limit greater than €500,000. Both the scorecards consist of three sub-component: the financial module (i.e., the MAJA module), the Behavioural Score and Private Liability ratio (for GK1) or Industry rating (for GK2);
- Behaviour Scoring SBC (composed by four different scorecards, based on product segmentation) is used both as a stand-alone rating for Small Business customers with an approval limit below €500,000, as well as an input factor of the Scoring GK module. The behavioral score is automatically updated on a monthly basis;
- *Small Credit Line* scorecard is applied during the application phase to clients without an available customer risk rating, with an approval limit below €50,000. It is not used for the yearly rating update.

The rating system foresees a list of events implying an override (upgrades as well as downgrades) of the statistical outcome, on the basis of an expert assessment. Overrides are closely monitored by the Internal Validation Function. The override process is only allowed for Scoring GK module, and is limited to individually managed businesses (i.e., customers with an approval limit greater than €500,000).
The financial component of the SBC module underwent a revision in 2014, aimed at rationalising its structure and at enlarging the underlying time series ensuring a higher stability to estimates. As a consequence of the redesign of Maja-Models, the Scoring/Rating SBC calibration and integration weights were updated . The new calibration of the overall SCB module relies on a longer time horizon considering more recent data (2007-2012), thus ensuring a higher degree of stability of estimates and the compliance with the regulatory requirements.
In the second half of 2015, the Behaviour Scoring SBC was re-calibrated on current data (up to 2013) and on a longer time series (seven or eight years, depending on the scorecard) even exceeding the five years time horizon required by the Regulation.
Nevertheless, some areas of improvement can still be detected, with particular regard to the outdated time series underlying the development of some modules and to the overall complexity of the rating system.

Anyway, the last local validation activity confirmed that performance results can generally be considered as satisfactory.
The Scoring/Rating SBC module and the Behavior Scoring SBC are also applied in UniCredit Bank Luxembourg SA.
With reference to the LGD model see as described in paragraph "Local German LGD model".

_Private Individual rating model_
The "UCB AG private individuals" rating model covers all individuals excluding self-employed customers. Individuals with high property lease income are also excluded. They are considered as part of the "Commercial Real Estate" portfolio and assessed using the appropriate rating system.
The main rating model for individuals called "Product Scoring" consists of 11 scorecards: 7 application scorecards (differentiated by product type) and 4 behavior scorecards. Both scores are combined on account level, or one of the two scores is used depending on the time period since account opening.
All assessments available on a customer (in the event the customer has more than one relationship with the bank) are combined based on a model developed by expert knowledge in order to obtain an overall probability of default on the single customer.
First, this approach calls for determining a "transaction PD" for each transaction. All transaction PDs for the same product. type are then combined (using an exposure weighted average) into a "product PD". Finally, all product PDs contribute to the determination of a "customer PD" based on exposure, the "information weight" (that summarizes how well and early the product can be used to identify a future default of the customer) and the "risk factor for the product combination" (that specifies the impact of different product combinations on the expected default rate).

In addition to the above described "Product Scoring" there are separate scorecards in place for wealthy customers and customers within the risk relevant business (exposure above €500,000). These are assessed with the "Rating for private and wealthy customers".

In October 2014 the consumer loan business was integrated again into UCB AG.The former application scorecards for this product type were replaced by new ones within the rating model Product Scoring. Three behavior scorecards and one application scorecard of Product Scoring as well as the scorecard for Private Customers were re-parametrized in the first quarter of 2016 in order to address a finding of ECB audit on the planned removal of the rating model for wealthy customers.

The last validation activity showed a very good selectivity for the "Product Scoring" model, but a less satisfactory result for the "Rating for private and wealthy customers". Looking at the “Product Scoring” model more in detail, however the validation showed the necessity to revise some scorecards, due to a drop of the discriminatory power of some score factors. The tests for calibration generally showed a sufficient result: the misalignment between PD and DR, although significant, is conservative . The Private Individual rating system for Wealthy Private is applied also in UniCredit Bank Luxembourg SA.
With reference to the LGD model see as described in paragraph “Local German LGD model”.

### Local Models, UniCredit Leasing GMBH and Subsidiaries (UCLG)[14]

*Small Business Rating model*
The UCL GmbH GK rating model (GK) is applied to evaluate Small Business customers’ creditworthiness, including all business customers with turnover lower than €5 million.
The GK PD model - a rating system at counterparty level - consists of two modules separately calibrated and then subsequently integrated:

- the Application Scoring, used during the credit approval process and in addition during a monitoring phase of up to 12 months and is automatically updated on a daily basis in case new information is available;
- the Behavioural Scoring, considered significant to the creditworthiness evaluation for the existing clientele starting the latest after twelve months of customer relationship duration with the Bank that is automatically updated on a daily basis in case new information is available and is automatically updated on a monthly basis.

Finally the following override reasons can be applied:

- deterioration of economic situation;
- deterioration due to economic dependence on a business partner with worse rating and part of the same engagement compound / interconnection;
- deterioration due to worse concern rating (concern ceiling).

A positive override is not applicable.

A local validation was completed in July 2014 carried out through the fulfillment of previous validation activities. Moreover, a model’s redesign has been performed in 2014, leading to the extension of calibration time series underlying the development as well as to the inclusion of a “safety margin” after combination of Application and Behavioral score in order to obtain more conservative PDs . Local validation activities also assessed the overall discriminatory power of the rating system and the improvement of significance of individual factors within the model itself.

In 2015 the local model validation revealed some optimization potential concerning the discriminatory power of the application model. As a consequence both models were refined , by improving the integration approach used to merge Application and Behavioral score and by enriching the variables long list underlying the estimation process through the inclusion of product specific variables.
Group Internal Validation has performed an assessment of the recent improvements in the second half of 2015. Even if th e improvements made to the model were acknowledged by the assessment, some room for improvement can still be detected, with particular regard to the need for the inclusion of the financial information in the application phase and to the inclusion of the application score for existing customers requesting new loans . A pre-application for regulatory certification has been made beginning of November 2015. By addressing the regulatory findings with regard to the on-site and off-site internal model investigation, the validation framework has been improved, addressing the need for assessing the long-term alignment between estimated and observed default frequencies and defining tolerance thresholds based on a more robust methodological approach. This alignment has been shared with the Holding Company, and is in line with the assumptions underlying the re-design of the validation guidelines currently on-going at central level .The final application of this model has been sent to ECB at the end of December 2016.

Based on the assessment of Group Internal Validation, a re-design of the 2015 model was finalized in 2016. The proposed revision foresees the enlargement of the time series underlying the development sample of the Behavioural Scorecard and further improvements on the integration approach, particularly for existing customers. An initial local validation of the re-designed model was completed in October 2016.

Regarding to EAD and local LGD models see as described in corporate exposures paragraph for “Local Models, UCL GMBH UniCredit Leasing GMBH and Subsidiaries”.

[14] UniCredit Leasing Finance GMBH, Structured Lease GMBH, UniCredit Leasing Aviation GMBH

## Local Model, Austrian Legal Entities

*Small Business rating model*
This rating model is applicable to Austrian small business clients including non-profit organizations up to €1.5 million annual turnover or to clients using cash based accounting.
The general design of the model consists of an "application module" and a "behavior module". ", the latter separates between customers with transaction in Euro and in FX .

The application module is applied principally in the following cases:
- new client;
- the customer requests a further line of credit for which the total exposure exceeds €50,000 or there is no behavior score (irrespective of the amount of the exposure);
- updated balance sheet information is available;
- "warning signals" have been modified/have arisen.

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

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

If the customer's transaction is older than 6 months and the counterparty's exposure is not above € 1 million, the behavior module is calculated automatically on a monthly basis.

For counterparties with exposure exceeding €1 million only the application module is used, but extended with the possibility for underwriters to overrule the calculated rating.

The two modules (application and behavior) are combined using different weights according to the exposure and the age of the application score in order to obtain a combined PD, which, once mapped to the master scale, determines the "calculated rating". The final "valid rating" is obtained by modifying the calculated rating on the basis of any available negative information or of "warning signals" in general.

Regarding to the LGD model see as described in paragraph "*Local Austrian LGD model*".

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

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

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

The last step of the rating process combines all the final standardized transaction scores into a customer specific PD. The resulting PD is finally mapped to a "Master Scale" consisting of 28 distinct rating notches. In case of negative characteristics collected from the external Credit Bureau KSV or of automatic warning signals, the customer PD is downgraded.
In the second half of 2015 an improved model version was implemented with enhancements on application module and overall calibration.
Regarding to the LGD/EAD model see as described in paragraphs *"Local Austrian LGD model"* and "*Local Austrian EAD model"*.
All IRB Retail models have been validated on a yearly basis, specifically ongoing validations has been performed for Private Individuals, Small Business , LGD, and EAD models (for LGD and EAD see results in Section Corporate).

The validation results showed some aspects to be improved for all models , nevertheless no critical issues have been identified.

## Asset Backed Commercial Paper (Securitization)

### Local model, German Legal Entities

*Internal Assessment Approach rating model for Asset Backed Commercial Paper transactions*
The model, developed by replicating the approach of the rating agencies, assigns a rating to the credit liquidity lines provided by UCB AG in order to support the issuing of Asset-Backed Commercial Papers by the conduits
In line with Basel III requirements, the model is differentiated according to the type of exposure underlying the securitization operation. Currently the IRB-compliant sub-models "Loans and Leases" and "Trade Receivables" are used.

Both sub-models consist of a quantitative module which aims to quantify the potential loss to the transaction (virtual tranching) and a qualitative module which determines an upnotch / downnotch factor due to additional, not-quantifiable aspects. Given the qualitative factor the virtual tranching is adjusted upwards or downwards, respectively.

For the quantitative module, two principal methodologies are used according to the type of underlying exposure and the residual life of the underlying assets:

- "*Reserve based*" approach: typically used for assets with a short time to maturity (typically less than 6 months). For this type of transactions, a "point in time" valuation is carried out in order to determine the expected loss of the underlying assets;
- "*CashFlow-based*" approach: used for assets with a longer time to maturity. The evaluation of the assets is based on modelling the expected cash flows to determine the loss at the end of the transaction's life.

The qualitative module was developed mainly on the basis of the expert opinion.

In July 2016 an annual validation performed by UCB AG confirmed that, in general, both methodological background and processes are suitable.

## IRB Approach - risk assets

(€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | AMOUNTS AS AT 12.31.2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | FOUNDATION IRB APPROACH | | ADVANCED IRB APPROACH | | FOUNDATION IRB APPROACH | | ADVANCED IRB APPROACH | |
| PORTAFOLIOS | EXPOSURE AMOUNT | EXPOSURE WEIGHTED AMOUNT | EXPOSURE AMOUNT | EXPOSURE WEIGHTED AMOUNT | EXPOSURE AMOUNT | EXPOSURE WEIGHTED AMOUNT | EXPOSURE AMOUNT | EXPOSURE WEIGHTED AMOUNT |
| Exposures to or secured by central governments and central banks | 202,687 | 95,800 | 14,116,808 | 573,677 | 231,185 | 103,713 | 23,525,372 | 883,623 |
| Exposures to or secured by Institutions, public and territorial entities and other entities | 2,181,129 | 934,002 | 36,334,177 | 5,792,285 | 2,783,440 | 932,245 | 54,195,909 | 6,849,095 |
| Exposures to or secured by corporates: | | | | | | | | |
| - Exposures to or secured by corporate: specialized lendings | 1,182,287 | 1,029,748 | 20,445,869 | 7,667,788 | 939,747 | 892,118 | 21,952,003 | 8,584,816 |
| - Exposures to or secured by corporate: SME | 3,658,688 | 2,865,186 | 61,004,505 | 21,061,498 | 5,604,855 | 4,042,482 | 61,312,935 | 19,548,711 |
| - Exposures to or secured by corporate: other | 10,146,684 | 6,980,915 | 153,713,625 | 65,012,241 | 10,968,494 | 7,998,083 | 145,517,413 | 60,540,996 |
| Retail exposures: | | | | | | | | |
| - Exposures secured with residential real estate property: SME | | | 7,423,788 | 1,655,741 | | | 7,952,312 | 1,762,496 |
| - Exposures secured with residential real estate property: individuals | | | 89,253,850 | 19,125,114 | | | 87,194,310 | 19,467,270 |
| - Qualified revolving reatil exposures | | | 5,815,811 | 720,277 | | | 5,181,463 | 668,109 |
| - Other retail exposures: SME | | | 26,581,351 | 8,460,665 | | | 27,991,935 | 7,281,797 |
| - Other retail exposures: individuals | | | 10,798,144 | 4,900,586 | | | 10,620,443 | 4,822,212 |
| Other assets | | | | 748,257 | | | | 840,552 |
| Equity exposures | | | 189,544 | 578,926 | | | 200,972 | 615,334 |
| **Total on-balance-sheet risk assets** | **14,161,303** | **9,938,361** | **333,872,779** | **109,568,533** | **16,548,987** | **11,754,442** | **329,920,921** | **104,709,743** |
| **Total guarantees given and committed lines** | **2,238,089** | **1,427,526** | **67,706,909** | **21,021,155** | **2,393,924** | **1,628,209** | **67,668,614** | **20,360,506** |
| **Total derivatives contracts and long settlement transactions** | **695,600** | **456,719** | **15,298,471** | **5,061,559** | **863,162** | **561,418** | **16,417,000** | **5,336,575** |
| **Totale SFT transactions** | **276,483** | **83,045** | **7,912,088** | **190,180** | **721,646** | **24,574** | **30,521,245** | **806,522** |
| **From contractual cross product netting** | **-** | **-** | **887,225** | **455,628** | **-** | **-** | **1,117,286** | **651,663** |
| **Total** | **17,371,475** | **11,905,651** | **425,677,472** | **136,297,055** | **20,527,719** | **13,968,643** | **445,645,066** | **131,865,009** |

**IRB Approach** (€'000)

| EXPOSURE CLASS | Rating Class | 12.31.2016 Nominal value | Exposure value | Average Risk Weight % | RWA | Weighted Average PD (%) | Weighted AverageLGD (%) | Revocable and Irrevocable Margins | CCF% (AVERAGE) | Value adjustments |
|---|---|---|---|---|---|---|---|---|---|---|
| Exposures to or secured by governments and central banks | Class 01 - from 0.00% to 0.0036% | 365.510 | 369.165 | 0,00% | 0 | 0,00% | 10,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 12.212.147 | 12.142.368 | 1,97% | 238.880 | 0,02% | 22,64% | 72.515 | 40,99% | 600 |
| | Class 03 - from 0.0209% to 0.1185% | 1.882.806 | 1.500.890 | 15,94% | 239.248 | 0,06% | 27,77% | 629.936 | 49,98% | 9.324 |
| | Class 04 - from 0.1186% to 0.5824% | 222.086 | 214.654 | 51,59% | 110.739 | 0,27% | 40,78% | 7.931 | 10,25% | 8 |
| | Class 05 - from 0.5825% to 1.3693% | 14.809 | 5.354 | 119,16% | 6.380 | 1,12% | 44,92% | 10.809 | 13,71% | 41 |
| | Class 06 - from 1.3694% to 3.2198% | 50.809 | 34.099 | 144,99% | 49.440 | 2,28% | 47,27% | 20.554 | 21,29% | 369 |
| | Class 07 - from 3.2199% to 7.571% | 80 | 80 | 211,25% | 169 | 5,80% | 47,12% | 0 | 0,00% | 3 |
| | Class 08 - from 7.5711% to 17.8023% | 10.393 | 3.306 | 198,37% | 6.558 | 8,14% | 54,82% | 130 | 7,69% | 31 |
| | Class 09 - from 17.8024% to 99.99% | 3.547 | 3.287 | 301,10% | 9.897 | 20,00% | 48,43% | 842 | 75,06% | 727 |
| | Class 10 - 100% | 42.602 | 42.730 | 10,77% | 4.600 | 100,00% | 72,00% | 1 | 100,00% | 31.550 |
| | **Total** | **14.804.789** | **14.315.933** | **4,65%** | **665.911** | **0,34%** | **23,35%** | **742.718** | **47,38%** | **42.653** |
| Exposures to or secured by supervised institutions, regional governments and local authorities and others | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 39.800.591 | 33.909.207 | 14,13% | 4.792.112 | 0,06% | 29,85% | 4.475.866 | 14,91% | 13.317 |
| | Class 04 - from 0.1186% to 0.5824% | 4.768.069 | 3.381.195 | 30,00% | 1.014.453 | 0,23% | 30,70% | 1.204.661 | 11,37% | 9.030 |
| | Class 05 - from 0.5825% to 1.3693% | 967.037 | 678.936 | 78,59% | 533.571 | 0,82% | 39,82% | 225.161 | 9,20% | 2.415 |
| | Class 06 - from 1.3694% to 3.2198% | 373.363 | 243.255 | 115,27% | 280.391 | 1,85% | 46,83% | 63.969 | 20,85% | 8.963 |
| | Class 07 - from 3.2199% to 7.571% | 15.124 | 9.857 | 142,47% | 14.043 | 5,13% | 40,16% | 3.410 | 25,60% | 161 |
| | Class 08 - from 7.5711% to 17.8023% | 44.758 | 31.567 | 160,22% | 50.576 | 10,14% | 32,42% | 13.851 | 6,91% | 29 |
| | Class 09 - from 17.8024% to 99.99% | 12.886 | 7.564 | 291,20% | 22.026 | 21,77% | 50,52% | 3.084 | 8,82% | 131 |
| | Class 10 - 100% | 5.057 | 5.067 | 16,60% | 841 | 100,00% | 97,86% | 0 | 0,00% | 4.914 |
| | **Total** | **45.986.885** | **38.266.648** | **17,53%** | **6.708.013** | **0,12%** | **30,22%** | **5.990.002** | **14,03%** | **38.960** |
| Exposures to or secured by corporates - SME | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 5.420.752 | 4.474.109 | 5,60% | 250.553 | 0,07% | 11,45% | 1.011.828 | 28,09% | 853 |
| | Class 04 - from 0.1186% to 0.5824% | 15.930.014 | 12.136.876 | 20,09% | 2.438.721 | 0,30% | 19,88% | 4.083.253 | 28,61% | 9.119 |
| | Class 05 - from 0.5825% to 1.3693% | 16.839.151 | 12.129.576 | 40,23% | 4.880.111 | 0,95% | 23,39% | 4.521.562 | 20,93% | 25.511 |
| | Class 06 - from 1.3694% to 3.2198% | 14.856.229 | 9.708.448 | 65,00% | 6.310.488 | 2,26% | 29,23% | 4.962.647 | 13,48% | 47.940 |
| | Class 07 - from 3.2199% to 7.571% | 5.352.816 | 4.233.646 | 81,87% | 3.466.260 | 4,65% | 31,61% | 1.047.151 | 14,37% | 47.437 |
| | Class 08 - from 7.5711% to 17.8023% | 2.464.304 | 2.127.166 | 95,18% | 2.024.665 | 10,05% | 25,81% | 313.125 | 26,58% | 45.349 |
| | Class 09 - from 17.8024% to 99.99% | 1.000.434 | 841.534 | 138,91% | 1.168.973 | 34,45% | 29,19% | 170.146 | 19,25% | 73.307 |
| | Class 10 - 100% | 19.516.823 | 19.011.838 | 17,81% | 3.386.913 | 100,00% | 54,71% | 414.058 | 15,77% | 12.934.486 |
| | **Total** | **81.380.523** | **64.663.193** | **37,00%** | **23.926.684** | **31,06%** | **32,68%** | **16.523.770** | **20,57%** | **13.184.002** |
| Exposures to or secured by corporates - Specialized lendings | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 1.334.136 | 1.242.310 | 17,35% | 215.560 | 0,07% | 24,42% | 146.449 | 13,35% | 971 |
| | Class 04 - from 0.1186% to 0.5824% | 6.824.604 | 6.252.845 | 28,99% | 1.812.691 | 0,26% | 21,38% | 761.524 | 15,48% | 5.190 |
| | Class 05 - from 0.5825% to 1.3693% | 5.380.973 | 4.637.676 | 39,65% | 1.838.977 | 1,00% | 19,70% | 875.481 | 11,26% | 8.577 |
| | Class 06 - from 1.3694% to 3.2198% | 4.247.132 | 3.952.907 | 36,53% | 1.444.033 | 2,11% | 13,29% | 385.688 | 20,97% | 7.514 |
| | Class 07 - from 3.2199% to 7.571% | 1.526.133 | 1.088.208 | 52,65% | 572.932 | 4,67% | 15,78% | 497.287 | 11,23% | 7.966 |
| | Class 08 - from 7.5711% to 17.8023% | 503.778 | 491.996 | 118,67% | 583.864 | 11,06% | 26,00% | 28.058 | 41,71% | 16.818 |
| | Class 09 - from 17.8024% to 99.99% | 434.319 | 434.291 | 192,80% | 837.317 | 20,00% | 35,89% | 0 | 0,00% | 56.277 |
| | Class 10 - 100% | 2.167.160 | 2.140.583 | 8,06% | 172.622 | 100,00% | 53,89% | 22.660 | 19,35% | 893.980 |
| | **Total** | **22.418.235** | **20.240.816** | **36,95%** | **7.477.996** | **12,25%** | **23,16%** | **2.717.147** | **14,31%** | **997.293** |
| Exposures to or secured by corporates - Others | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 101.987.859 | 49.987.330 | 18,16% | 9.079.211 | 0,06% | 35,34% | 58.311.562 | 26,79% | 16.626 |
| | Class 04 - from 0.1186% to 0.5824% | 106.348.751 | 58.082.005 | 40,12% | 23.300.458 | 0,27% | 34,62% | 45.033.601 | 20,60% | 64.323 |
| | Class 05 - from 0.5825% to 1.3693% | 33.481.446 | 20.511.982 | 69,00% | 14.154.202 | 0,88% | 33,50% | 12.346.474 | 20,61% | 55.359 |
| | Class 06 - from 1.3694% to 3.2198% | 21.057.128 | 13.240.983 | 92,58% | 12.258.780 | 2,13% | 34,22% | 6.505.249 | 16,38% | 98.118 |
| | Class 07 - from 3.2199% to 7.571% | 6.485.327 | 4.500.890 | 120,42% | 5.419.942 | 4,51% | 35,81% | 1.842.919 | 14,65% | 49.786 |
| | Class 08 - from 7.5711% to 17.8023% | 3.586.738 | 2.760.831 | 140,93% | 3.890.711 | 10,41% | 30,22% | 736.135 | 18,56% | 239.781 |
| | Class 09 - from 17.8024% to 99.99% | 1.349.364 | 835.741 | 172,32% | 1.440.128 | 29,02% | 31,26% | 313.423 | 11,71% | 62.556 |
| | Class 10 - 100% | 15.535.504 | 13.940.434 | 17,56% | 2.448.227 | 100,00% | 54,77% | 1.442.090 | 14,20% | 8.867.073 |
| | **Total** | **289.832.117** | **163.860.196** | **43,93%** | **71.991.659** | **9,35%** | **36,32%** | **126.531.453** | **23,04%** | **9.453.622** |
| Equity exposures: PD/LGDapproach | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | | | |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | | | |
| | Class 03 - from 0.0209% to 0.1185% | 543 | 543 | 106,81% | 580 | 0,10% | 65,28% | | | |
| | Class 04 - from 0.1186% to 0.5824% | 45.462 | 45.462 | 161,00% | 73.193 | 0,23% | 85,12% | | | |
| | Class 05 - from 0.5825% to 1.3693% | 11.613 | 11.613 | 234,17% | 27.194 | 0,85% | 82,08% | | | |
| | Class 06 - from 1.3694% to 3.2198% | 4 | 4 | 400,00% | 16 | 1,68% | 90,00% | | | |
| | Class 07 - from 3.2199% to 7.571% | 53.752 | 53.752 | 555,01% | 298.331 | 4,25% | 90,00% | | | |
| | Class 08 - from 7.5711% to 17.8023% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | | | |
| | Class 09 - from 17.8024% to 99.99% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | | | |
| | Class 10 - 100% | 56 | 56 | 0,00% | 0 | 100,00% | 90,00% | | | |
| | **Total** | **111.430** | **111.430** | **358,35%** | **399.314** | **2,28%** | **87,07%** | | | |
| Equity exposures: simple risk weight approach | NA | 78.114 | 78.114 | | 179.612 | | | | | |
| | **Total** | **78.114** | **78.114** | | **179.612** | | | | | |

**Note to the pervious page table:**

In order to have consistency between internal and external reporting and to maintain a sufficient breakdown between PD categories to allow a significant differentiation of credit risk, the Group Master Scale – which consists of different cut - offs compared to the previous rating scale – has been used for the filling of these tables.
Possible migrations of exposures among classes, compared to the previous Pillar III publications, is not due to a worsening/improving of portfolio riskiness but only to the change in the rating scale itself.

In this table values related to the following exposures are not included:

- Specialized lending – slotting criteria
- Alternative treatment: secured by real estate
- Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights
- Dilution risk: total purchased receivables

**IRB Approach: Geografical breakdown**

(€' 000)

| | 12.31.2016 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ITALY | | | OTHER EUROPEAN COUNTRIES | | | AMERICA | | | ASIA | | | REST OF THE WORLD | | |
| | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% |
| Exposures to or secured by governments and central banks | 1.280.966 | 1,63 | 28,15 | 10.360.958 | 0,29 | 24,72 | 1.750.863 | 0,00 | 10,00 | 923.146 | 0,02 | 22,28 | - | - | - |
| Exposures to or secured by supervised institutions, regional governments and local authorities and others | 18.764.489 | 0,11 | 26,15 | 17.963.093 | 0,15 | 32,70 | 312.207 | 0,21 | 39,93 | 1.226.859 | 0,19 | 55,16 | - | - | - |
| Exposures to or secured by corporates | 89.381.459 | 32,78 | 43,32 | 151.555.772 | 5,59 | 28,26 | 6.446.550 | 0,89 | 37,04 | 1.380.424 | 7,57 | 39,92 | - | - | - |
| Exposures to or secured by corporates: Specialized lendings | 4.695.660 | 7,29 | 27,03 | 15.236.224 | 13,67 | 21,88 | 172.639 | 0,40 | 29,58 | 136.293 | 52,29 | 32,31 | - | - | - |
| Exposures to or secured by corporates: SME | 27.219.534 | 62,72 | 48,79 | 37.406.342 | 8,07 | 19,08 | 1.562 | 26,42 | 39,34 | 35.755 | 11,13 | 41,34 | - | - | - |
| Equity exposures: PD/LGD | - | - | - | 111.430 | 2,40 | 87,06 | - | - | - | - | - | - | - | - | - |
| Equity exposures: Simple risk weight approach | - | - | - | 78.114 | 3,09 | - | - | - | - | - | - | - | - | - | - |
| Equity exposures: Internal method approach | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

In this table values related to the following exposures are not included:

- Specialized lending – slotting criteria
- Alternative treatment: secured by real estate
- Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights
- Dilution risk: total purchased receivables

**IRB Approach - Advanced - Retail exposures** (€'000)

| EXPOSURE CLASS | Rating Class | 12.31.2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Nominal value | Exposure value | Average Risk Weight % | RWA | Weighted Average PD (%) | Weighted AverageLGD (%) | Revocable and Irrevocable Margins | CCF% (AVERAGE) | Value adjustments |
| Exposures secured by residential property: SME | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 91.561 | 88.039 | 2,81% | 2.470 | 0,08% | 17,45% | 4.833 | 56,13% | 52 |
| | Class 04 - from 0.1186% to 0.5824% | 1.522.523 | 1.452.693 | 7,35% | 106.801 | 0,30% | 17,33% | 118.041 | 52,26% | 2.651 |
| | Class 05 - from 0.5825% to 1.3693% | 1.388.768 | 1.337.227 | 14,22% | 190.192 | 0,94% | 14,57% | 83.754 | 53,45% | 10.361 |
| | Class 06 - from 1.3694% to 3.2198% | 1.197.886 | 1.156.549 | 23,00% | 265.991 | 2,29% | 13,30% | 58.321 | 55,35% | 14.247 |
| | Class 07 - from 3.2199% to 7.571% | 614.249 | 598.957 | 42,12% | 252.278 | 4,87% | 15,41% | 16.614 | 59,32% | 6.847 |
| | Class 08 - from 7.5711% to 17.8023% | 398.605 | 389.478 | 60,33% | 234.961 | 10,91% | 15,21% | 8.383 | 54,31% | 6.254 |
| | Class 09 - from 17.8024% to 99.99% | 312.003 | 307.504 | 83,29% | 256.120 | 35,81% | 18,54% | 3.255 | 29,74% | 17.268 |
| | Class 10 - 100% | 2.103.256 | 2.093.341 | 16,57% | 346.928 | 100,00% | 41,17% | 8.572 | 11,48% | 1.145.493 |
| | **Total** | **7.628.851** | **7.423.788** | **22,30%** | **1.655.741** | **31,23%** | **22,71%** | **301.773** | **52,29%** | **1.203.173** |
| Exposures secured by residential property: Individual | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 7.137.101 | 7.093.087 | 4,03% | 286.033 | 0,09% | 17,74% | 76.824 | 40,42% | 1.317 |
| | Class 04 - from 0.1186% to 0.5824% | 45.074.744 | 44.842.939 | 9,19% | 4.122.862 | 0,27% | 17,94% | 486.212 | 28,40% | 43.904 |
| | Class 05 - from 0.5825% to 1.3693% | 15.236.063 | 15.322.827 | 22,10% | 3.386.423 | 0,89% | 18,28% | 246.529 | 26,85% | 122.729 |
| | Class 06 - from 1.3694% to 3.2198% | 6.634.969 | 6.639.153 | 38,11% | 2.530.441 | 2,15% | 17,86% | 92.754 | 30,30% | 51.826 |
| | Class 07 - from 3.2199% to 7.571% | 2.262.090 | 2.257.563 | 63,76% | 1.439.394 | 4,88% | 18,69% | 19.740 | 32,77% | 21.703 |
| | Class 08 - from 7.5711% to 17.8023% | 1.939.411 | 1.929.269 | 79,98% | 1.543.081 | 12,25% | 15,79% | 20.285 | 29,51% | 28.428 |
| | Class 09 - from 17.8024% to 99.99% | 1.547.878 | 1.548.200 | 110,65% | 1.713.047 | 36,71% | 21,07% | 1.856 | 40,89% | 130.020 |
| | Class 10 - 100% | 9.617.471 | 9.620.812 | 42,66% | 4.103.833 | 100,00% | 36,14% | 1.408 | 41,12% | 4.421.910 |
| | **Total** | **89.449.727** | **89.253.850** | **21,43%** | **19.125.114** | **12,26%** | **19,97%** | **945.608** | **29,32%** | **4.821.837** |
| Qualifying revolving retail exposures | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 4.484.011 | 2.693.302 | 2,84% | 76.448 | 0,05% | 79,35% | 4.408.438 | 59,38% | 909 |
| | Class 04 - from 0.1186% to 0.5824% | 2.485.274 | 1.515.633 | 9,32% | 141.213 | 0,27% | 66,03% | 2.249.674 | 56,90% | 2.331 |
| | Class 05 - from 0.5825% to 1.3693% | 827.227 | 630.975 | 21,92% | 138.337 | 0,90% | 59,42% | 577.198 | 66,00% | 3.020 |
| | Class 06 - from 1.3694% to 3.2198% | 408.510 | 347.474 | 38,31% | 133.133 | 2,26% | 52,11% | 192.593 | 68,31% | 3.458 |
| | Class 07 - from 3.2199% to 7.571% | 119.382 | 108.974 | 64,58% | 70.370 | 4,88% | 51,37% | 41.033 | 74,61% | 2.303 |
| | Class 08 - from 7.5711% to 17.8023% | 85.709 | 79.297 | 104,23% | 82.653 | 10,59% | 52,13% | 27.344 | 76,54% | 3.922 |
| | Class 09 - from 17.8024% to 99.99% | 20.281 | 20.865 | 148,76% | 31.039 | 20,00% | 50,92% | 2.622 | 122,27% | 2.980 |
| | Class 10 - 100% | 419.110 | 419.291 | 11,23% | 47.084 | 100,00% | 94,37% | 2.682 | 106,08% | 380.610 |
| | **Total** | **8.849.504** | **5.815.811** | **12,38%** | **720.277** | **7,85%** | **72,17%** | **7.501.584** | **59,56%** | **399.533** |
| Other retail exposures: SME | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 1.419.239 | 404.783 | 3,96% | 16.041 | 0,06% | 25,74% | 1.034.382 | 3,04% | 189 |
| | Class 04 - from 0.1186% to 0.5824% | 11.366.037 | 4.505.355 | 16,19% | 729.254 | 0,33% | 35,92% | 7.094.930 | 4,16% | 4.641 |
| | Class 05 - from 0.5825% to 1.3693% | 9.280.013 | 4.490.216 | 29,62% | 1.329.945 | 0,91% | 37,45% | 4.983.982 | 4,64% | 12.181 |
| | Class 06 - from 1.3694% to 3.2198% | 6.553.916 | 3.730.227 | 43,00% | 1.604.032 | 2,21% | 39,84% | 2.932.848 | 4,43% | 25.847 |
| | Class 07 - from 3.2199% to 7.571% | 3.516.755 | 2.151.472 | 50,24% | 1.080.960 | 4,79% | 41,26% | 1.398.523 | 2,85% | 30.623 |
| | Class 08 - from 7.5711% to 17.8023% | 1.408.586 | 988.559 | 57,55% | 568.905 | 10,45% | 40,43% | 436.180 | 4,83% | 30.167 |
| | Class 09 - from 17.8024% to 99.99% | 804.253 | 624.634 | 76,68% | 478.978 | 37,02% | 39,03% | 182.214 | 2,22% | 65.402 |
| | Class 10 - 100% | 9.833.571 | 9.686.105 | 27,39% | 2.652.550 | 100,00% | 74,04% | 147.402 | 2,42% | 7.771.896 |
| | **Total** | **44.182.370** | **26.581.351** | **31,83%** | **8.460.665** | **38,61%** | **51,14%** | **18.210.461** | **4,15%** | **7.940.946** |
| Other retail exposures: Individual | Class 01 - from 0.00% to 0.0036% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 02 - from 0.0037% to 0.0208% | 0 | 0 | 0,00% | 0 | 0,00% | 0,00% | 0 | 0,00% | 0 |
| | Class 03 - from 0.0209% to 0.1185% | 1.444.874 | 1.008.040 | 8,63% | 86.978 | 0,08% | 43,85% | 724.807 | 43,74% | 424 |
| | Class 04 - from 0.1186% to 0.5824% | 4.287.861 | 3.405.638 | 27,97% | 952.521 | 0,33% | 48,01% | 1.203.337 | 30,66% | 16.025 |
| | Class 05 - from 0.5825% to 1.3693% | 3.531.285 | 3.069.931 | 50,66% | 1.555.112 | 0,92% | 49,36% | 697.632 | 33,72% | 41.647 |
| | Class 06 - from 1.3694% to 3.2198% | 2.063.575 | 1.890.406 | 68,36% | 1.292.266 | 2,25% | 49,34% | 303.154 | 39,77% | 34.562 |
| | Class 07 - from 3.2199% to 7.571% | 581.316 | 550.446 | 81,94% | 451.034 | 4,84% | 52,53% | 66.146 | 43,68% | 15.267 |
| | Class 08 - from 7.5711% to 17.8023% | 484.259 | 440.996 | 87,66% | 386.591 | 11,48% | 47,09% | 62.229 | 36,70% | 20.212 |
| | Class 09 - from 17.8024% to 99.99% | 103.139 | 103.192 | 133,42% | 137.679 | 22,36% | 52,99% | 3.394 | 71,39% | 14.801 |
| | Class 10 - 100% | 334.604 | 329.495 | 11,66% | 38.405 | 100,00% | 60,46% | 7.949 | 39,59% | 203.410 |
| | **Total** | **12.830.913** | **10.798.144** | **45,38%** | **4.900.586** | **4,75%** | **48,86%** | **3.068.648** | **35,82%** | **346.348** |

**Note:**

In order to have consistency between internal and external reporting and to maintain a sufficient breakdown between PD categories to allow a significant differentiation of credit risk, the Group Master Scale – which consists of different cut - offs compared to the previous rating scale – has been used for the filling of these tables.
Possible migrations of exposures among classes, compared to the previous Pillar III publications, is not due to a worsening/improving of portfolio riskiness but only to the change in the rating scale itself.

In this table values related to the following exposures are not included:

- Specialized lending – slotting criteria
- Alternative treatment: secured by real estate
- Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weights
- Dilution risk: total purchased receivables

**IRB Approach - Retail exposures: Geografical breakdown**

(€ 000)

| | 12.31.2016 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ITALY | | | OTHER EUROPEAN COUNTRIES | | | AMERICA | | | ASIA | | | REST OF THE WORLD | | |
| | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% | EAD | PD% | LGD% |
| **Retail exposures** | **85,459,514** | **25.97** | **31.78** | **54,413,430** | **4.32** | **28.29** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Exposures secured by residential property | 61,460,219 | 19.79 | 23.90 | 35,217,419 | 3.21 | 13.64 | - | - | - | - | - | - | - | - | - |
| Exposures secured by residential property: SME | 4,807,676 | 43.51 | 28.57 | 2,616,112 | 8.80 | 10.90 | - | - | - | - | - | - | - | - | - |
| Exposures secured by residential property: Individual | 56,652,543 | 17.78 | 23.50 | 32,601,307 | 2.77 | 13.86 | - | - | - | - | - | - | - | - | - |
| Qualifying revolving retail exposures | 17 | 9.48 | 58.64 | 5,815,794 | 7.87 | 72.89 | - | - | - | - | - | - | - | - | - |
| Other retail exposures | 23,999,278 | 41.79 | 51.96 | 13,380,217 | 5.67 | 47.48 | - | - | - | - | - | - | - | - | - |
| Other retail exposures: SME | 23,735,644 | 42.00 | 52.08 | 2,845,707 | 10.47 | 41.32 | - | - | - | - | - | - | - | - | - |
| Other retail exposures: Individual | 263,634 | 22.66 | 40.93 | 10,534,510 | 4.38 | 49.14 | - | - | - | - | - | - | - | - | - |

In this table values related to the following exposures are not included:

- Specialized lending – slotting criteria
- Alternative treatment: secured by real estate
- Exposures from free deliveries applying risk weights under the alternative treatment or 100% and other exposures subject to risk weightS
- Dilution risk: total purchased receivables

### Expected loss versus Actual loss comparison

Within this section it is described the comparison between the expected loss calculated at beginning of the year ("Expected Loss") and the actual losses ("Provisions") incurred at year-end, on the Group's main credit portfolios.
In order to properly assess the result of the comparison, it should be noted that the variables mentioned above, although in principle comparable, derive from different calculation methods.
The expected loss, used in this comparison, is the forecast of credit losses due to default of the counterparties with a horizon of one year, calculated on the portfolio of exposures treated under the IRB approach which were classified as performing at the beginning of the period. It is calculated using the Basel II internal parameter estimates for capital requirements calculation as result of the product of PD, LGD and EAD on performing loans at 31 December of the previous year, compared to the reference analysis date. In particular, the internal PD parameter, used for expected loss comparison, is calibrated "through-the-cycle" to take in account the expansion and recession phases of an entire economic cycle. Furthermore the LGD parameter refers to a time horizon that covers the entire life of the loan.
The actual loss is defined as the amount of provisions incurred in the year and referred to the exposures treated under IRB approach as described above, which were classified as defaulted during the period and charged to the income statement in the reference year of the analysis. The provisions charged to income statement, calculated in accordance with IAS/IFRS international accounting principle, represent the actual losses incurred in the impairment loan portfolio and are based on the present value of expected cash flows; basic elements for the assessment are represented by the identification of estimated collections, timing of payments and the interest rate used. Recovery times are estimated on the basis of the repayment schedule agreed with the borrower or included in a business plan or in forecasts based on historical recovery experience observed for similar classes of loans, taking into account the type of loan, the geographical location, the type of guarantees and collaterals and any other factor considered relevant.
In light of the differences described above, the following is a comparison of the expected loss related to calendar years 2014, 2015 and 2016 with actual losses recorded in the same financial years for major Group regulatory portfolios.The scope of the analysis includes exposures treated with Advanced IRB approach (except derivatives positions and securitization) of UniCredit Spa, UniCredit Bank AG, UniCredit Bank Luxembourg SA, UniCredit Leasing Germany, UniCredit Bank Austria AG and UniCredit Bank Czech Republic and Slovakia.

**€ mln**

| Asset class | Expected Loss (Dec 2013) | Actual Loss (Dec 2014) | Delta% | Expected Loss (Dec 2014) | Actual Loss (Dec 2015) | Delta% | Expected Loss (Dec 2015) | Actual Loss (Dec 2016) | Delta% |
|---|---|---|---|---|---|---|---|---|---|
| Corporate | 1,320.9 | 1,371.5 | 3.8% | 1,136.4 | 924.1 | -18.7% | 845.8 | 1,181.0 | 39.6% |
| Retail | 685.0 | 542.9 | -20.7% | 749.1 | 473.2 | -36.8% | 656.0 | 452.3 | -31.0% |
| Other* | 59.2 | 4.3 | -92.7% | 26.5 | 7.7 | -71.0% | 10.3 | 4.5 | -56.4% |
| TOTAL** | 2,064.5 | 1,918.7 | -7.1% | 1,912.1 | 1,405.0 | -26.5% | 1,512.0 | 1,637.8 | 8.3% |

**Administrations and central banks, Supervised institutions, Others*

*** 2014 back-testing without UCI CZ, which entered IRB perimeter for 2015 analysis*

In 2016, at Group level, overall Actual Losses are slightly above the Expected Losses, trend mostly driven by Corporate asset classes and only partially offset by Retail portfolio evolution.

In Corporate segment, overall Actual Losses are above the Expected Losses in Italy driven by coverage strengthening one-off provisions, but also in Germany and Austria driven by provisions on large exposures. In Czech Republic and Slovakia incurred losses are lower than estimated.

The evolution for the Retail segment (lower actual losses than expected), applies to all Regions in scope (i.e. Italy, Germany, Austria and Czech Republic and Slovakia) and is mainly originated from two different reasons:

a) Lower default rate compared to the estimated PD at the beginning of the period;
b) PD and expected loss calculated calibrated "through the cycle" and therefore not fully reflecting the particular conditions occurred during the year.

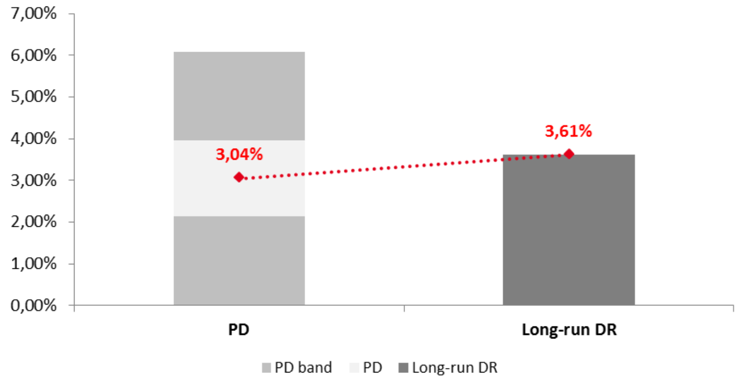
**Model performance: comparison between estimated and actual results**

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

Following there is the comparison between estimated PDs, at September 2015, and 2016 observed default rates of the main Group models authorized for regulatory purposes. In particular, the analysis focused on overall Corporate (including Real Estate exposures), Small Business and Private Individuals segments in the three major Group entities: UniCredit S.p.A., UniCredit Bank AG and UniCredit Bank Austria[15].

In general, the verification test of the estimates power to correctly predict the default rates (calculated as an average of the last five years) has highlighted a satisfactory degree of alignment between estimated PDs and empirical data:

*Figure: Mid-Corporate | PD vs. Long-run DR*

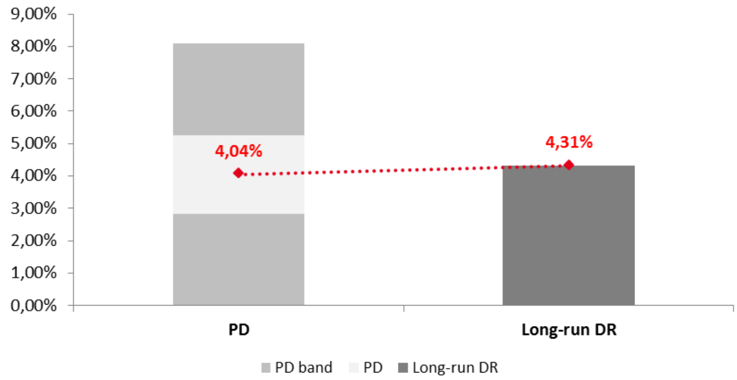



This satisfactory result is strictly connected with the decreasing trend of the Italian default rate registered during 2016 (2,88% vs. 3.80% registered as of Dec. 2015). The detailed data for each country better highlights the relevance of the default rate in Italy compared to the ones observed in Germany and Austria.

*Table: Mid-Corporate | Long-run Default rate and 2016 Default rate per each country*

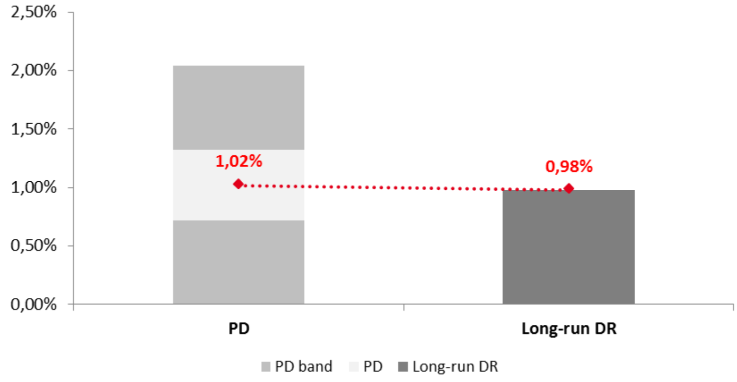
| Country | Long-run DR | DR 2016 |
|---|---|---|
| **Italy** | 5,06% | 2,88% |
| **Germany** | 1,14% | 1,17% |
| **Austria** | 1,93% | 1,57% |

*Figure: Small Business | PD vs. Long-run DR*




[15] Data for the backtesting analysis are based on the most up-to-date monitoring report "Local HDP PD Models Monitoring - 2016-09".

*Figure: Private Individuals | PD vs. Long-run DR*




A quite satisfactory level of alignment between the observed and the estimated value is observed for the Private Individuals[16] and Small Business segments. With regard to the latter, it is worthwhile to mention that several recalibration activities have been carried out during the last years in Italy, Germany and Austria.

Based on the above evidences, it can be stated that the back-testing results are satisfactory for each segment, even if for Corporate and Small Business portfolios a slight underestimation is observed.

With regard to the LGD estimates, in Italy, Austria and Germany, model calibration maintenance were registered during the last year to ensure the overall alignment of model outcomes with the observed loss rates.

The EAD model generally shows satisfactory results in Germany, even if there are few corrective actions that have been recommended by the local validation function aimed at furtherly improving the model performance. Concerning Bank Austria, the regulatory assessment of the refined EAD model from the Supervisory Authority has been completed and the communication of the authorization was received in July, 2016.

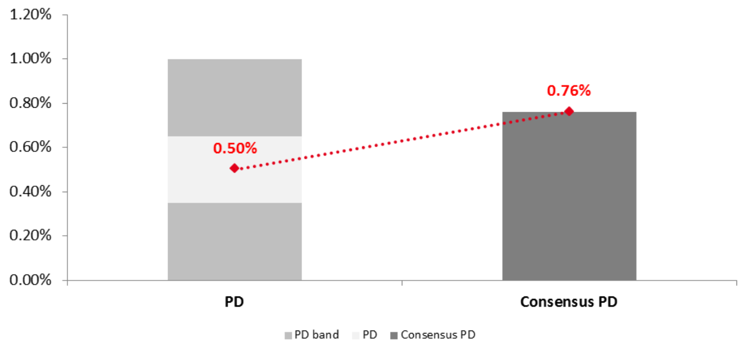
**Group-Wide models**

The quantitative evaluation of the Group Wide rating systems is annually performed, following the internal validation guidelines, as part of the regular validation activities through specific and dedicated analyses. Due to the "Low Default Portfolio" nature, common to all customer segments subject to Group Wide rating, calibration analyses are usually carried out through benchmarking analyses at overall level with long-term estimates published by external providers or the comparison at single counterparty level between internal and external ratings published by the major international agencies (S&P, Moody's and Fitch). The summary of the rating agencies assessments is commonly defined as "PD consensus" and the comparison is conducted between internal average PD and average consensus one, using samples including only counterparties that have agency ratings assigned. However, when it is possible a back-testing on internal default data is also provided, using the portfolio containing all counterparts with an exposure towards the Group. For the back-testing activities the last year default rate is compared to internal average PD. A comparison against a “Through the Cycle” timespan of default rates will be possible after a longer and more robust time history will be collected due to the peculiarity of this type of portfolios.

**Multinational Corporates PD/LGD model**

The calibration tests based on external Consensus PDs prove not so acceptable results, with an average PD lower than external Consensus PD. Similar results have been observed when splitting the sample according to the most important risk drivers (Industry, Size and Geographic Area).

*Figure X: UCG MNC PD Benchmarking - September 2016*

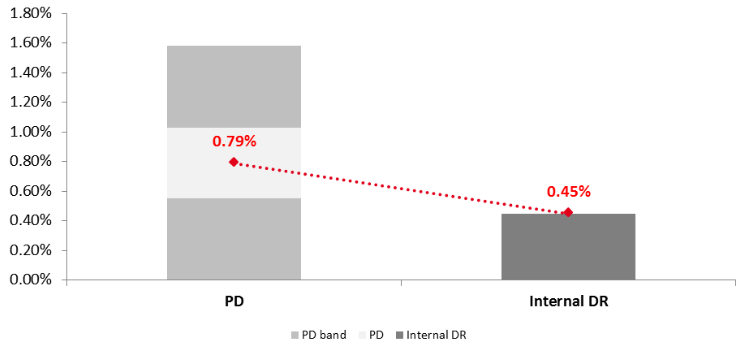



16 In Italy we are referring only to mortgages, the only product for which the internal parameters are used for the RWA calculation.

There is a high divergence between internal and external PD and the results of the calibration test performed on the last available data snapshot (September 2016) are unsatisfactory.

Nevertheless, a back-testing activity based on the observed internal defaults[17], highlights that last year default rate is lower than the average PD predicted.

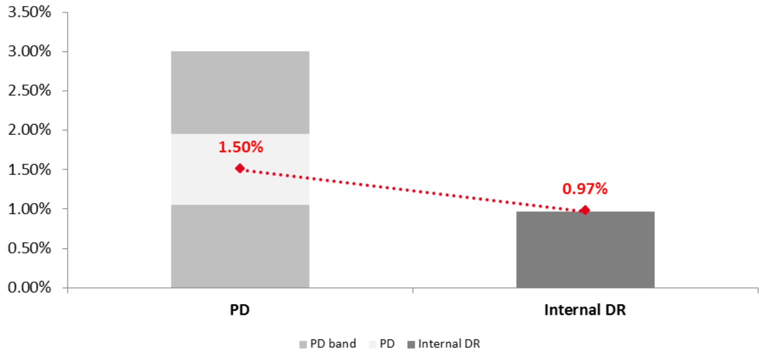
*Figure X: UCG MNC PD internal default back-testing (June 2015-2016) calibration test*




Consequently, the need of a model re-calibration has been highlighted and a remedial activity is already ongoing.

Regarding the application of MNC rating model to the Italian Large Corporate segment[18], the internal average PD has an adequate level of conservatism if evaluated on the last year's internal defaults[19]. As a consequence of the lack of external ratings from international rating agencies, calibration tests based on Consensus PD were not performed.

*Figure X: ILC Group Portfolio PD internal default back-testing (June 2015-2016) calibration test*




Regarding the Multinational Corporate LGD estimates, since the definition of recovery used by the external benchmarks is different from the internal one, the data are not fully comparable. However as a first approximation, the model is evaluated as rather conservative given that the average Senior Unsecured LGD Bond estimated by the model is higher than the Moody's estimate[20].

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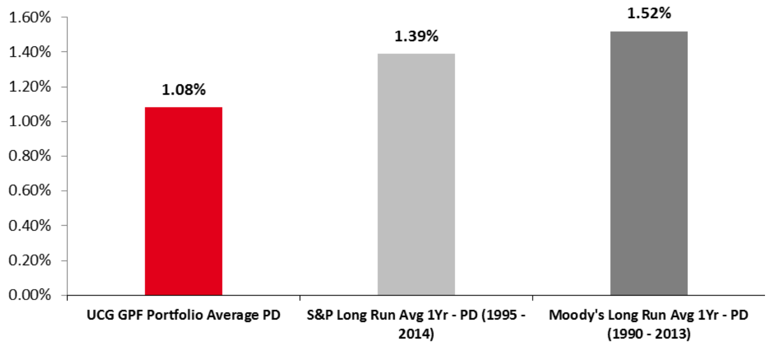
[17] Only 9 default cases were detected during the period June 2015-June 2016
[18] The ILC credit segment is defined as the Italian Corporate clients with an annual turnover between 250 and 500 million euros.
[19] 4 default cases were detected during the period June 2015-June 2016
[20] As report in Table 41 for Sr. Unsecured Bond Issuer-weighted – 2014 in "MNC Ongoing Validation Report 2015"

**Global Project Finance PD/LGD model**

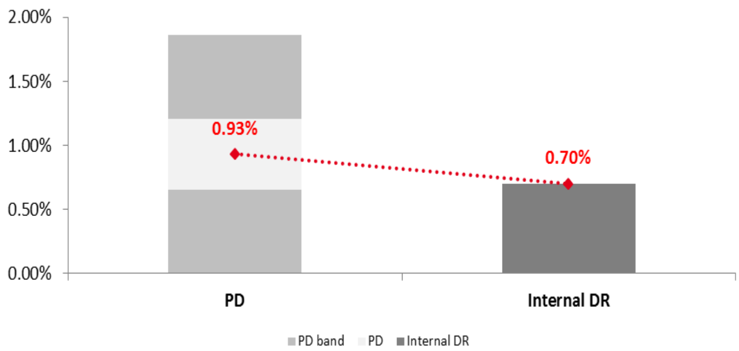
In reference to the Global Project Finance segment, due to the very limited number of projects with an available external rating, the analysis of internal calibration results has been carried out through the benchmarking analysis with the long-term estimates, extrapolated from the specific annual reports published by S&P and Moody's[21]. The current portfolio average PD is lower than considered benchmarks.

*Figure X: UCG GPF PD Benchmarking – September 2016*




Moreover, a back-testing analysis based on internal data collected in the last year has been carried out proving quite satisfactory results highlighting a predicted PD higher than the observed default rate[22].

*Figure X: UCG GPF PD internal default back-testing (June 2015-2016) calibration test*




For the Global Project Finance segment, the LGD estimates is higher than the last available external benchmarks, highlighting a slight conservativeness of the internal model.

[21] The estimate annual long-term PD have been derived from the historical series of Cumulative Survival Rate shown respectively in the documents: "2014 Annual Project Finance Default and Recovery Study" published by S&P in December 2015, "Default and Recovery Rates for Project Finance Bank Loans, 1983-2013 "Published by Moody's in March 2015.
[22] Only 2 default cases were detected during the period June 2015 - June 2016

**Banks PD/LGD model**

The Banks PD model is divided in four segments of which the “Commercial Banks in Developed Countries and Emerging Markets” represent the major part of counterparts, while being the other segments “Hybrid Banks” and “Pure Securities Industry”. Focusing on the calibration test with data as of September 2016, the current model framework does not have a good level of alignment between internal estimated PDs and external PDs at overall level and for half the segments. A lack of conservativeness for “Commercial Banks in Developed Counties” is observable as reported in following graph, however this gap has already been addressed with a new model version, still under assessment by Regulatory Competent Authorities, having higher level of conservatism in the estimates.

*Figure X: UCG Banks PD Benchmarking –September 2016*

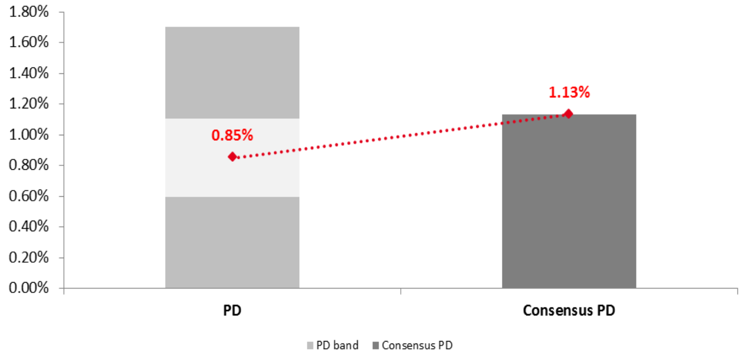
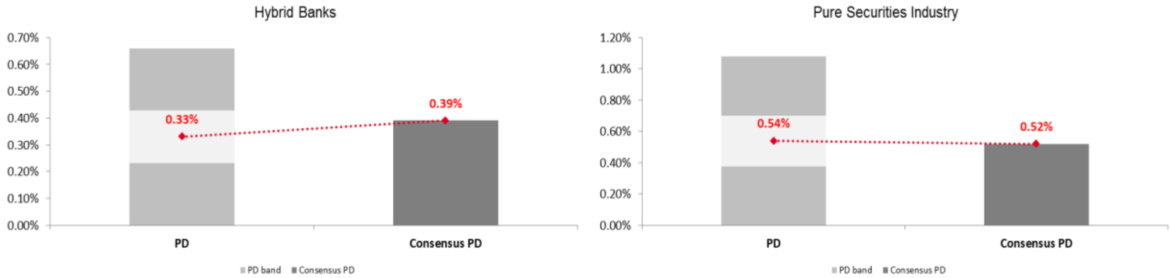



*Figure X: UCG Banks PD Benchmarking – Commercial Banks (Developed Countries & Emerging Markets) – September 2016*


*Figure X: UCG Banks PD Benchmarking – Security Industries (Hybrid Banks & Pure Securities Industry) – September 2016*




The estimates of Banks LGD model were tested against last available external benchmarks, provided by rating agencies, confirming a general alignment with Moody’s, whilst Standard and Poor’s is slight more conservative.

**Sovereign PD/LGD model**

The Sovereign PD model was implemented in June 2014. It demonstrates conservative outcomes compared to available external benchmark (i.e. rating agencies' evaluations) at overall level considering data as of September 2016. The same analysis has been performed on the two model sub-segments ("Developed Countries" and "Emerging Markets"), as reported below, with the main misalignment related to Developed Countries.

*Figure X: UCG Sovereign PD Benchmarking – September 2016*

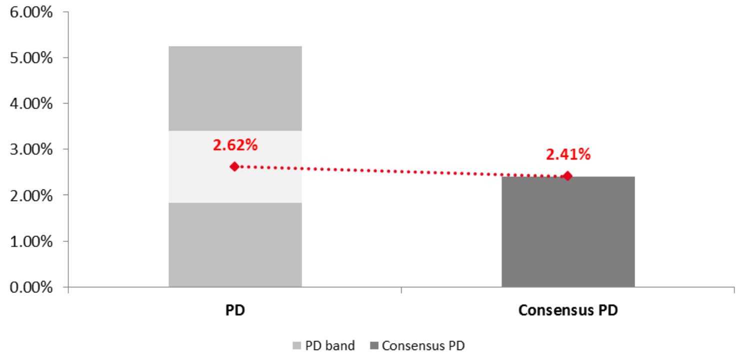
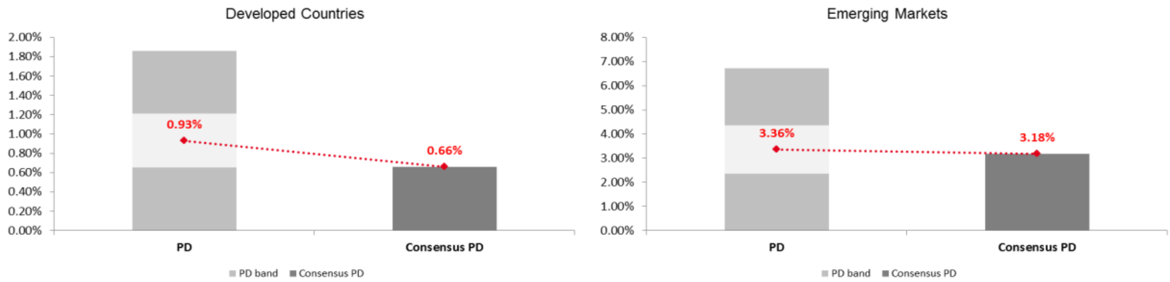



*Figure X: UCG Sovereign PD Benchmarking (Developed Countries and Emerging Markets) – September 2016*




Also the Sovereign LGD model was tested against external benchmarks proving to be slightly conservative.

# Credit Risk: mitigation techniques (CRM)

UniCredit Group, consistently with the "Revised Framework of International Convergence of Capital Measures and Rules" (Basel), is firmly committed to satisfying the requirements for recognition of Credit Risk Mitigation (hereafter "CRM") techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, F-IRB or A-IRB).

In this regard, specific projects have been completed and actions have been carried out for implementing the Group's internal regulations and for bringing processes and IT systems into compliance. Considering the Group's presence in different countries, implementation measures have been made in accordance with local regulations and the requirements of the oversight authorities in the countries to which the individual entities belong.

The Group has acknowledged the regulatory requirement with specific internal Guidelines issued by the Holding Company, in compliance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and amending Regulation (EU) No. 648/2012.
Such Guidelines pursue several objectives:

- to encourage collateral and guarantees optimal management;
- to maximize the mitigating effect of collateral and guarantees on defaulted loans;
- to attain positive effect on Group capital requirements, ensuring that local CRM practices meet minimum "Basel" requirements;
- to define general rules for eligibility, valuation, monitoring and management of collateral (funded protection) and guarantees (unfunded protection) and to detail special rules and requirements for specific collateral/guarantees.

Credit risk mitigants are accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet its obligations. For this reason they have to be evaluated in the credit application along with the assessment of the creditworthiness and the repayment capacity of the borrower, emphasizing the importance of the "legal certainty" requirement for all collaterals and guarantees, as well as their suitability. Legal Entities shall put in place all necessary actions in order to:

- fulfill the respect of any contractual and legal requirements, and take all steps necessary to ensure the enforceability of the collateral/guarantee arrangements under the applicable law;
- conduct sufficient legal review confirming the enforceability of the collateral/guarantee arrangements on the parties and in the relevant jurisdictions.

Legal Entities conduct such review, as applicable, to ensure enforceability for the entire term of the underlying collateralized credit exposure. On the other hand, suitability has always to be granted. Any collateral/guarantee can be considered adequate if it is consistent with the underlying credit exposure and, for guarantees, when there are no relevant risks towards the protection provider.
Collateral management assessments and Credit Risk Mitigation compliance verifications are performed by the Legal Entities, specifically as part of the wider process of internal validation on rating systems and of IRB methods roll-out activities.

### Policies and processes for, and an indication of the extent to which the Group makes use of, on – and off – balance sheet netting

In general, netting agreements on balance sheet of reciprocal credit exposures between the Bank and its counterparty are considered eligible if they are legally effective and enforceable in all relevant jurisdictions, including in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:

- provide for the netting of gains and losses on transactions cleared under the master agreement so that a single net amount is owed by one party to the other;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

In general, Group Legal Entities can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.

The Group makes use of netting instruments mainly for OTC derivatives, repos and securities lending transactions where the counterparties are – generally – Financial Institutions. The primary objective of the bank is to cover with netting agreements as many as possible transactions in order to reduce utilization of credit lines and to release the amount of required regulatory capital. In this regard, a special policy ("Collateral Management and Control Global Policy") has been issued aiming at defining an efficient and comprehensive framework for collateral management in order to safeguard the bank from avoidable risk-taking.
The effectiveness of a collateral agreement of each individual counterparty relationship depends on the selection of appropriate assets qualifying as eligible collateral. Certain collateral types may present inherent risks related to the price volatility, the liquidity and the settlement of the asset. In addition, the collateral assets must be assessed in the context of the collateral providing counterparty (double default risk). The mentioned policy details the eligibility criteria for both OTC derivatives and Repo/securities Lending Transactions, and defines the requirements in terms of documentations, requiring, as a general base, market standard agreements such as ISDA Master Agreement, Global Master Repurchase Agreement or European Master Agreement.

### Policies and processes for collateral evaluation and management

UniCredit group has implemented a clear and robust system for managing the credit risk mitigation techniques, governing the entire process for evaluation, monitoring and management of collaterals.
The assessment of the collateral value is based on the current market price or the estimated amount which the underlying asset could reasonably be liquidated for (i.e. pledged financial instrument or mortgaged real estate *fair value*).
For financial instruments, valuation methods are different depending on their type:

- securities listed on a recognized stock exchange, are evaluated according to the market price (the price of the most recent trading session);
- securities not listed on a recognized stock exchange, have to be based on pricing models based on market data;
- undertakings for Collective Investments and mutual funds are based on the price for the units that are publicly quoted daily.

The market price of pledged securities is adjusted by applying haircuts for market price and /or foreign exchange volatility, according to regulatory requirements.
In case of currency mismatch between the credit facility and the collateral, an additional haircut is applied.
Possible mismatches between the maturity of the exposure and that of the collateral are also considered in the adjusted collateral value.
The current models in place within the Group are based both on pre-defined prudential haircuts and internally estimated haircuts. The methodological approach provides that the hedging value has to be estimated for each financial instrument on the basis of its market value (s.c. mark-to-market) adjusted with an haircut that has to consider the intrinsic riskiness according to the different factors (price risk, time of ownership and liquidity risk).
The main Legal Entities of the Group are also provided with tools for the automatic evaluation of the mark-to-market of the pledged securities, granting the constant monitoring of the financial collateral values.
For the valuation of real estate collateral, specific processes and procedures ensure that the property is valuated by an independent appraiser. For the Legal Entities operating in Austria, Germany and Italy, systems for the periodic monitoring and revaluation of the real estate collateral, based on statistical methods, adopting internal databases or provided by external info-providers, are in place.
Other types of collateral (such as a pledge of movable assets) are subject to specific prudential haircuts. Monitoring activities strictly depend on the collateral characteristics. In general pledges on goods are treated with caution.

### Description of the main types of collateral taken by the Group Entities

The collateral accepted in support of credit lines granted by the Group's Legal Entities, primarily includes real estate, both residential and commercial (around 70% of the stock) and financial instruments collateral, including debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS) (around 18%). The remaining part includes pledges on other assets (e.g. pledged goods) and other collaterals (e.g. movable properties).
However, in order to be considered eligible for risk mitigation, the general requirements according to Supervisory Regulations must be met, along with the specific requirements for the approach adopted for purposes of calculating regulatory capital for the individual counterparty/exposure (Standardized, F-IRB, A-IRB), in accordance with the legal framework of the country in scope.
The Holding Company provides specific guidelines for the eligibility of all kind of collaterals and each Legal Entity shall define the list of eligible collateral, according to Group methods and procedures and in compliance with local legal and supervisory requirements and peculiarities.

### Main types of guarantors and credit derivative counterparties and their creditworthiness

Personal guarantees can be accepted as module complementary and accessory to the granting of loans, for which the risk mitigant serves as additional security for repayment. Their use is widespread within the Group, though their characteristics differ among the different local markets.

Within the Italian market, personal guarantees, provided by one or more individuals, are very common, even if they are not considered eligible for credit risk mitigation purposes. Less frequently, the risk of default is covered by personal guarantees provided by other legal entities (usually the holding company or other companies belonging to the same economic group as the borrower), or by financial institutions and insurance companies.

At consolidated level, personal guarantees are provided by banks (around 22% of the stock), government, central banks and other public entities (around 19%) and others (59%). The last category includes the personal guarantees provided by natural persons, whose eligibility for CRM depends on the approach used by the different Legal Entities.

Credit derivative protection providers are mainly banks and institutional counterparties.

The list of eligible protection providers depends on the specific approach adopted by each single Legal Entity. Specifically, under the Standardized approach, eligible protection providers pertain to a restricted list of counterparts, such as Central Government and Central Banks, public sector entities and regional and local authorities, multilateral development banks, supervised institutions and corporate entities that have a credit assessment by an eligible ECAI associated with credit quality step 2 or above. Legal Entities adopting IRB-A may recognize guarantees provided that the relevant minimum requirements are satisfied and, particularly, provided that the Legal Entity can evaluate the protection provider risk profile at the time that the guarantee is established and over its entire duration.

Before a personal guarantee is accepted, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her creditworthiness and risk profile. The hedging effect of guarantees/credit derivatives for the purpose of credit protection depends basically on the creditworthiness of the protection provider which is assessed during the credit underwriting phase.

### Information about market or credit risk concentrations under the credit risk mitigation instruments used

Concentration risk occurs when the major part of Group-wide collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, protection instruments, or specific providers of collaterals or sectors or when there is lack of proportion in the volume of collaterals taken.

Such concentration is monitored and controlled by the following processes/mechanisms:

- In case of personal guarantees/credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, a secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the bank's system of authority;
- In case the protection provider, directly or indirectly, is a Central Bank or a Sovereign country, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, a country limit must be obtained, if necessary.

The tables provide information about collateralization of on- and off-balance credit exposure with the indication of the amount of the Collateral/Guarantees eligible for Credit Risk Mitigation purpose.
In detail, the table on Collaterals is broken down by collateral type, type of security with the indication of the rating (related to the client who is covered by the guarantee) and maturity (calculated as average of residual contractual maturities of payments, each weighted by the relative amount). The table on Guarantees is broken down by type of guarantee (Credit Derivatives and Personal Guarantees) and type of issuer. The perimeter covers the Group's major Legal Entities only. Minor entities are excluded.

**Distribution of collaterals on credit exposures to banks and customers** (000 €)

| Type of collateral | Type of security with indication of the country where the collateral is booked | Rating | Maturity | Stocks as at 2016/31/12 | | | |
|---|---|---|---|---|---|---|---|
| | | | | with banks | | with customers | |
| | | | | Value of the collateral | o/w eligeble for CRM purposes | Value of the collateral | o/w eligeble for CRM purposes |
| Pledge on Securities | Governments Bonds (Central Banks, MDB and International Organizations included) | Investment Grade | Short term (<5 years) | 1,482,562 | 1,482,562 | 21,859,869 | 21,857,680 |
| | | | (>= 5 years) | - | - | 4,206,178 | 4,205,265 |
| | | Non Investment grade | Short term (<5 years) | 1,311,280 | 1,311,280 | 140,270 | 138,212 |
| | | | (>= 5 years) | - | - | 42,097 | 41,584 |
| | | Unrated / not available | Short term (<5 years) | - | - | 2,970,096 | 2,970,065 |
| | | | (>= 5 years) | - | - | 7,984 | 7,935 |
| | Supervised Financial institution Bonds | Investment Grade | Short term (<5 years) | - | - | 48,540 | 47,671 |
| | | | (>= 5 years) | - | - | 11,323 | 11,281 |
| | | Non Investment grade | Short term (<5 years) | - | - | 103,518 | 101,095 |
| | | | (>= 5 years) | - | - | 75,174 | 74,492 |
| | | Unrated / not available | Short term (<5 years) | - | - | 8,864 | 7,752 |
| | | | (>= 5 years) | - | - | 905 | 623 |
| | Corporate Bonds | Investment Grade | Short term (<5 years) | 58,960 | 58,960 | 445,227 | 444,902 |
| | | | (>= 5 years) | 4,265,404 | 4,265,404 | 87,280 | 86,676 |
| | | Non Investment grade | Short term (<5 years) | - | - | 409,620 | 374,170 |
| | | | (>= 5 years) | - | - | 141,542 | 141,087 |
| | | Unrated / not available | Short term (<5 years) | - | - | 2,858 | 2,855 |
| | | | (>= 5 years) | - | - | 1,001 | 853 |
| | Other securities | Investment Grade | Short term (<5 years) | - | - | 854,784 | 668,584 |
| | | | (>= 5 years) | - | - | 131,593 | 110,069 |
| | | Non Investment grade | Short term (<5 years) | 732,732 | 732,732 | 624,598 | 405,529 |
| | | | (>= 5 years) | - | - | 251,608 | 122,041 |
| | | Unrated / not available | Short term (<5 years) | 138,403 | 138,403 | 1,807,299 | 1,783,314 |
| | | | (>= 5 years) | - | - | 630,362 | 46,337 |
| Pledge on Cash deposits | | | | 593,837 | 590,693 | 3,318,144 | 1,742,381 |
| Other pledges | | | | 226,426 | 226,426 | 9,691,437 | 7,523,570 |
| Properties | | | | 46,977 | 46,977 | 168,769,680 | 166,135,239 |
| Other assets | | | | 118,371 | 3,772 | 14,714,108 | 10,458,655 |
| | | | **Total** | **8,974,952** | | **231,355,959** | |

**Distribution of guarantees on credit exposures to banks and customers** (000 €)

| Type | Issuer with indication of the country where the collateral is booked | Rating | Stocks as at 2016/31/12 | | | |
|---|---|---|---|---|---|---|
| | | | Banks | | Customers | |
| | | | Value of the guarantee | o/w eligeble for CRM purposes | Value of the guarantee | o/w eligeble for CRM purposes |
| Credit Derivatives | CLN | | - | - | - | - |
| | Government and Central Banks | Investment grade | - | - | - | - |
| | | Non Investment grade | - | - | - | - |
| | | Unrated / not available | - | - | - | - |
| | Other Public Entities | Investment grade | - | - | - | - |
| | | Non Investment grade | - | - | - | - |
| | | Unrated / not available | - | - | - | - |
| | Banks | Investment grade | - | - | - | - |
| | | Non Investment grade | - | - | - | - |
| | | Unrated / not available | - | - | 91,579 | 91,579 |
| | Other Entities | Investment grade | - | - | - | - |
| | | Non Investment grade | - | - | - | - |
| | | Unrated / not available | - | - | - | - |
| Personal Guarantees | Governments and Central Banks | Investment grade | 527,650 | 527,650 | 5,497,782 | 5,496,207 |
| | | Non Investment grade | - | 0 | 157,689 | 137,922 |
| | | Unrated / not available | 65,993 | 65,993 | 4,206,581 | 4,119,898 |
| | Other Public Entities | Investment grade | - | - | 659,642 | 499,782 |
| | | Non Investment grade | - | - | 1,658,049 | 1,456,506 |
| | | Unrated / not available | 22,267 | 22,267 | 1,357,265 | 1,309,093 |
| | Banks | Investment grade | 1,298,275 | 1,244,665 | 11,750,790 | 9,411,732 |
| | | Non Investment grade | 53,532 | 53,532 | 2,644,161 | 2,598,585 |
| | | Unrated / not available | 475,681 | 475,340 | 1,824,160 | 1,788,981 |
| | Corporate / SMEs | Investment grade | 2,753 | 2,753 | 8,838,127 | 6,546,088 |
| | | Non Investment grade | - | - | 13,278,223 | 9,953,789 |
| | | Unrated / not available | 582,790 | 76,399 | 20,698,790 | 4,626,690 |
| | Physical persons | | - | - | 106,199 | 106,199 |
| | | **Total** | **3,028,941** | | **72,769,037** | |

In accordance with the instructions of Circular 262/2005 of the Bank of Italy, as of December 31, 2015, the value of the collateral cannot exceed the book value of the secured exposures; therefore, from this disclosure onwards, the lower of the loan at the book value and the value of the collateral is displayed.

## Credit risk mitigation techniques: standardized approach

(€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | AMOUNTS AS AT 12.31.2015 | | |
|---|---|---|---|---|---|---|
| | FINANCIAL COLLATERALS | OTHER GUARANTEES | GUARANTEES AND CREDIT DERIVATIVES | FINANCIAL COLLATERALS | OTHER GUARANTEES | GUARANTEES AND CREDIT DERIVATIVES |
| Exposures to or secured by central governments or central banks | 423,952 | 10,000 | 586,233 | 1,060,067 | 20,000 | 108,302 |
| Exposures to or secured by regional governments or local authorities | 55,023 | - | 87,054 | 54,648 | - | 82,948 |
| Exposures to or secured by public-sector bodies | 98,924 | - | 2,861,118 | 30,220 | - | 2,846,884 |
| Exposures to or secured by multilateral development banks | - | - | - | - | - | - |
| Exposures to or secured by international organizations | - | - | - | - | - | - |
| Exposures to or secured by authorities | 3,021,966 | - | 623,725 | 63,766,242 | 5,200 | 682,445 |
| Exposures to or secured by corporates and other parties | 2,547,971 | 40,897 | 3,887,304 | 3,744,747 | 61,476 | 3,380,664 |
| Retail exposures | 1,498,854 | 39,585 | 492,364 | 1,915,488 | 45,822 | 546,313 |
| Exposures secured by real estate collateral | 2,408 | - | 187 | 624 | - | - |
| Defaulted exposures | 47,491 | 3,979 | 171,845 | 181,027 | 2,931 | 131,284 |
| High-risk exposures | 121 | - | - | - | - | - |
| Exposures in the form of guaranteed bank bonds (covered bonds) | - | - | - | - | - | - |
| Short-term exposures to corporates and other parties or authorities | 605,898 | - | 153 | 76,696 | - | 158 |
| Exposures to Undertakings for Collective Investment (UCI) | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - |
| Other exposures | - | 50,100 | - | - | 60,100 | - |
| **Total** | **8,302,608** | **144,561** | **8,709,983** | **70,829,759** | **195,529** | **7,778,998** |

## Risk mitigation techniques - IRB Approach

(€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | AMOUNTS AS AT 12.31.2015 | | |
|---|---|---|---|---|---|---|
| | FINANCIAL COLLATERAL | OTHER GUARANTEES | GUARANTEES AND CREDIT DERIVATIVES | FINANCIAL COLLATERAL | OTHER GUARANTEES | GUARANTEES AND CREDIT DERIVATIVES |
| **IRB APPROACH - FOUNDATION** | | | | | | |
| Exposures to or secured by central governments or central banks | - | - | - | 30 | - | - |
| Exposures to or secured by institutions, public and territorial entities and other entities | 19,464 | 74,766 | 363,118 | 14,177 | 33,246 | 293,259 |
| Exposures to or secured by corporate - SME | 110,928 | 700,801 | 254,238 | 153,077 | 1,366,703 | 193,120 |
| Exposures to or secured by corporate - Specialized lendings | - | - | - | - | - | - |
| Exposures to or secured by corporate - Others | 41,889 | 482,488 | 218,480 | 28,030 | 421,591 | 259,509 |
| **IRB APPROACH - ADVANCED** | | | | | | |
| Exposures to or secured by central governments or central banks | 532 | 590 | 3,380,106 | 9,912,141 | 670 | 1,987,188 |
| Exposures to or secured by institutions, public and territorial entities and other entities | 6,640,585 | 53,624 | 2,264,762 | 20,859,942 | 56,251 | 2,194,006 |
| Exposures to or secured by corporate - SME | 1,371,557 | 26,850,690 | 6,663,302 | 1,651,438 | 27,445,779 | 6,922,696 |
| Exposures to or secured by corporate - Specialized lendings | 120,700 | 7,644,944 | 677,030 | 104,687 | 8,644,666 | 652,445 |
| Exposures to or secured by corporate - Others | 2,509,499 | 20,984,999 | 14,417,250 | 4,146,289 | 21,619,985 | 13,734,731 |
| Exposures secured with residential real estate property: SME | 43,643 | 7,017,529 | 46,610 | 41,885 | 7,651,015 | 46,706 |
| Exposures secured with residential real estate property: Individual | 168,922 | 81,969,845 | 30,666 | 173,342 | 81,247,826 | 31,754 |
| Qualified revolving retail exposures | - | - | 287 | - | - | 284 |
| Other retail exposures: SME | 521,643 | 533,973 | 14,209,926 | 631,196 | 639,493 | 14,748,971 |
| Other retail exposures: Individual | 837,424 | 506,645 | 99,567 | 820,577 | 582,386 | 99,653 |
| **TOTAL** | **12,386,786** | **146,820,894** | **42,625,342** | **38,536,811** | **149,709,611** | **41,164,322** |

# Counterparty Risk exposure

Counterparty Credit Risk is defined as the risk that the counterparty to a transaction may default before the settlement of the transaction cash flows.
Counterparty Credit Risk (CCR) is a particular case of general Credit Risk (e.g. loans). Unlike a firm's exposure to Credit Risk through a loan, where the exposure to Credit Risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty of the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.
Counterparty Credit Risk exposure is estimated considering the effect of a period of stress (Stressed Expected Positive Exposure) and the collateral management practices.
The financial products falling into the scope of CCR are:

- over the counter derivative instruments (contracts not traded on an exchange);
- security financing transaction (repurchase transactions, securities or commodities lending or borrowing transactions based on securities or commodities and margin lending transactions based on securities or commodities);
- long settlement transactions, where the counterparty to the transaction has a contractual obligation to deliver a security, a commodity, or a foreign currency amount against cash, other financial instruments, or commodities, or vice versa, at a settlement or delivery date that is later than the earliest of the market standard for the particular transaction;
- exchange traded derivatives.

## CCR GOVERNANCE PRINCIPLES

In order to design a framework of methodology, policies and processes for the management of Counterparty Credit Risk that is conceptually sound, implemented with integrity and consistent with Supervisory Authorities instructions, the following general principles have been developed:

### Cornerstones of the CCR management

- Counterparty Credit Risk is a particular type of credit risk and as such the processes and policies governing CCR activities have to follow the same logic as the ones of credit activities, to ensure a comprehensive view on counterparty exposure.
- CCR management must take into account the risk limits and comply with the Global Rules issued by Group Risk Management and must fit into Legal Entities limit systems and processes.
- The oversight of CCR will be assured on a daily basis by dedicated risk functions in the Legal Entities[23] and the Holding Company, together with the senior management, relevant Committees and Board of Directors.
- CCR management should take into account market risks to capture the impacts of market movements on CCR.

### Role of the Holding Company and of the Legal Entities

- The definition of guidelines, design of the framework, policy setting for the management of Counterparty Credit Risk will be the responsibility of the Holding Company specific functions as reported in the Holding Company Organizational Rulebook.
- The Holding Company will be responsible to monitor exposures at Group level to ensure appropriate oversight on concentration risk and largest exposures.
- The Holding Company will participate into the definition of remedial actions on CCR anomalies for relevant names[24].
- Holding Company risk methodology function is responsible to develop Counterparty Credit Risk models for UniCredit Group.
- A rigorous and comprehensive stress testing will be implemented that will consider both Group relevant and Legal Entity specific scenarios based on the output of the CCR measurement, outlined in specific Global Rules issued by Holding Company.
- A robust process to ensure the capture and analysis of both Specific Wrong Way and General Wrong Way Risks is set up and outlined in specific Global Rules issued by Holding Company.

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[23] The CCR risk management entities of UC SpA, UCB AG and UC BA AG take over sub-group coordination functions for their respective sub-groups consolidated Legal Entities.
[24] Single names are considered relevant depending on their credit rating, exposure size or other CCR relevant metrics as defined in Group Rules.

## RISK MANAGEMENT AND MONITORING

UniCredit Group Counterparty Credit Risk Management framework is centered on the daily control of risk exposure, defined by using an approach based on the calculation of the distribution of future values of relevant exchange traded, OTC derivatives and SFT transactions at single counterparty-level.

Holding Company risk methodology function has articulated into three steps the estimation of counterparty-level credit exposure distribution, these are:

- scenario generation. Future market scenarios are simulated for a fixed set of simulation dates, using evolution models of the risk factors.
- instrument valuation. For each simulation date and for each realization of the underlying Market Risk factors, instrument valuation is performed.
- aggregation. For each simulation date and for each realization of the underlying market risk factors, instrument values are added to obtain counterparty portfolio value.

For managerial purposes the counterparty-level exposure of transactions within the Internal Model Method (IMM) is measured using the Potential Future Exposure[25] (PFE). For transactions not included in the scope of the CCR IMM, exposures are estimated using Simplified Exposure Measures (i.e. SEMs). The calibration of SEMs results in a prudential estimate of PFE.

The internal models that generate daily pre-settlement exposure also generate exposure measures that are used in the Regulatory Capital calculation, for which UniCredit received Regulatory authorization on April 2014. In June 2016 UniCredit received the further Regulatory authorization to extend the internal model to security financial transactions, certain equity and commodity OTC derivatives and exchange traded derivatives. The same internal models also generate stressed simulations which will be submitted into ICAAP process and provide Risk Management with counterparty, country and industry analysis and highlight potential general wrong way risks in the portfolio.
In the Regulatory Capital Calculation no estimate of alpha is done, instead the fixed value of 1.4 is used.

CCR limits definition and approval are part of the Holding Company and Legal Entity credit underwriting/operation processes and where there are also described the delegated powers, escalation and credit committees' competencies. Legal Entity CCR control functions will contribute to the limit setting and review process providing a technical and experienced indication.

The risk appetite to a counterparty or to a set of counterparties referring to the same final parent is defined through a plafond, for customers' segments for which it does exist otherwise directly through the limit, which is the consolidated maximum risk exposure that the Legal Entity and/or the Group can provide to this counterparty.

Plafond and limit setting is performed by the competent functions in accordance with approved Group-wide Global Rules and/or credit strategies or consistent local rules.

A portion of this plafond/limit can be allocated to the pre-settlement risk limit which will be compared to the maximum Potential Future Exposure (max PFE) towards a counterparty over a given time period.

## RISK MITIGATION

UniCredit mitigates Counterparty Credit risk from derivatives and other transactions exposed to CCR through the use of netting, collateralisation and Central Counterparties.

Netting allows for the aggregation of positive and negative Mark-to-Market derivative transactions with the same counterparty to be offset, hence reducing exposure if either counterparty were to default. A Group wide policy requires that all netting arrangements are documented in legally binding master agreements. The enforcement and enforceability of these netting agreements is monitored by UniCredit's Legal Department on an on-going basis. Netting is not applicable across UniCredit Legal Entities as it is not permitted by law and would additionally not be covered by the underlying bilateral master agreements.

Collateral agreements (if legally enforceable in the jurisdiction) might be required, depending on the creditworthiness of the counterparty and the nature of the transaction. As a rule, FX derivatives, interest rate derivatives, equity derivatives, credit derivatives, commodity derivatives, EU-emissions-allowance transactions, weather derivatives and other OTC derivative transactions can be collateralized by a collateral agreement.

[25] The Potential Future Exposure is defined as the possible exposure to a given confidence level at a specific time

A Group Policy "Collateral Management and Control" was approved by Senior Risk Committees during 2013. It defines the roles and responsibilities of the involved parties both on Parent Company and Legal Entity level. In addition the policy defines pre-approved collateral types, collateral types requiring approval and non-eligible collaterals. The eligibility criteria for the acceptable collaterals, which ensures collateral agreed to be taken, exhibit characteristics such as price transparency, liquidity, enforceability, independence and eligibility for regulatory purposes and set parameters for correlation and concentration risks. Differentiation between the eligibility for OTC derivative and Reverse Repo/Securities Lending Transactions is required as collateral for OTC derivative transactions needs to be of higher credit quality, given the potential longer nature of transaction and inability to change eligibility criteria under a signed CSA agreement, while collateral provided for Reverse Repo/Securities Lending Transaction can be wider in variety, given the normal shorter tenor of transactions. Non-cash collateral accepted to mitigate OTC derivative exposure is subject to a "haircut" in value, which is largely based on liquidity and price volatility of the underlying security and reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement.

An independent collateral management function manages the daily operational collateral process, which includes pledging and receiving collateral and investigating disputed margin calls and non-receipts.

The collateral management process is closely aligned with both the short term and long term funding strategy of the Bank (both on a legal entity level and on a group wide basis). A separate Group Policy defines the re-hypothecation of collateral to ensure prudence and minimize liquidity disruptions. Intraday collateral requirements above a specific threshold are additionally reported to the short term funding desk with immediate effect.

Where available, UniCredit uses Central Counterparties (CCP's) to mitigate the Counterparty Credit Risk of eligible OTC derivatives. By acting as an intermediary to an OTC derivative transaction a CCP replaces the bilateral counterparty of a trade, leaving UniCredit to manage the market risk of the trade.

## WRONG WAY RISK MANAGEMENT

Both Holding company and Legal Entities CCR control functions assess and manage the Wrong Way Risk, arising when the risk factors driving the exposure to a counterparty are positively correlated with the credit worthiness of that same counterparty. Wrong way Risk is then distinguished in Specific Wrong Way Risk (SWWR) and General Wrong Way Risk (GWWR).

SWWR arises when the exposure on a transaction is positively correlated with the counterparty's creditworthiness for a reason that is specific to the counterparty. Most commonly this kind of correlation is seen where there is similar material legal/economic ownership between collateral/reference entity and counterparty.

In detail, Specific Wrong Way transactions are likely to generate higher exposures than standard industry PFE (Potential Future Exposure) methodologies would indicate, as the latter applies to plain vanilla derivatives and assumes limited correlation. The Specific Wrong Way Global Policy aims to complement our exposure calculation methodologies by providing a unified group wide framework for the appetite, definition, risk monitoring and management of Specific Wrong Way Risk exposures.

General Wrong Way Risk arises when the credit quality of the counterparty is correlated with a risk factor which also affects the value of the transaction with the Group. The Global policy relating to the General Wrong Way Risk aims at defining the framework for analyzing, monitoring and managing the potential impact of GWWR risk by product, region and industry and it also seeks to add additional levels of control to General Wrong Way Risk transactions.

Holding Company Global Rules provide indication on principles and steps to follow on control and management of such risks.

## DOWNGRADING IMPACTS

Monthly reporting is conducted to measure the impact in terms of additionally required collateral that the bank may be required to provide given a downgrade of its own credit rating. All relevant rating agencies are considered.
The testing is carried out on a legal entity level, but consolidated reporting is available to analyze the impact on group wide basis. Specific attention is dedicated to exposures towards Special purpose Vehicles.

## Counterparty risk - collaterals

(€ '000)

| COUNTERPARTY RISK - COLLATERALS | EAD AMOUNT AS AT | |
|---|---|---|
| | 12.31.2016 | 12.31.2015 |
| **Standardized approach** | | |
| - derivatives contracts and long settlement transactions | 135,321 | 247,897 |
| - SFT transactions | 6,054,448 | 67,109,629 |

## Counterparty risk

(€'000)

| | EAD AMOUNT | WEIGHTED AMOUNT | EAD AMOUNT | WEIGHTED AMOUNT |
|---|---|---|---|---|
| | 12.31.16 | 12.31.16 | 12.31.2015 | 12.31.2015 |
| **Standardized approach** | | | | |
| - derivatives contracts and long settlement transactions | 14,109,655 | 2,530,210 | 13,786,801 | 2,662,944 |
| - SFT transactions | 1,428,425 | 689,609 | 1,971,514 | 1,123,640 |
| - contractual cross product netting | 530,783 | 51,540 | 1,137,424 | 57,471 |
| **IRB approach** | | | | |
| - derivatives contracts and long settlement transactions | 15,994,071 | 5,518,277 | 17,280,162 | 5,897,993 |
| - SFT transactions | 8,188,571 | 273,227 | 31,242,891 | 831,096 |
| - contractual cross product netting | 887,225 | 455,628 | 1,117,286 | 651,663 |

## Assets subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

| INSTRUMENT TYPE | GROSS AMOUNTS OF FINANCIAL ASSETS (A) | FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B) | NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B) | RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET | | NET AMOUNTS AT 12.31.2016 (F=C-D-E) | NET AMOUNTS AT 12.31.2015 |
|---|---|---|---|---|---|---|---|
| | | | | FINANCIAL INSTRUMENTS (D) | CASH COLLATERAL (E) | | |
| 1. Derivatives | 68,180,102 | 19,072,653 | 49,107,449 | 30,482,550 | 7,763,919 | 10,860,980 | 11,381,302 |
| 2. Reverse repos | 30,852,988 | 3,770,207 | 27,082,781 | 16,108,777 | - | 10,974,004 | 16,325,306 |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Others | 59,336,883 | 1,279,505 | 58,057,378 | - | - | 58,057,378 | 55,036,171 |
| **Total 12.31.2016** | **158,369,973** | **24,122,365** | **134,247,608** | **46,591,327** | **7,763,919** | **79,892,362** | **X** |
| **Total 12.31.2015** | **159,103,975** | **23,553,771** | **135,550,204** | **44,761,263** | **8,046,162** | **X** | **82,742,779** |

Financial Assets offset in balance sheet (column "b" - sub-item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

## Liabilities subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

| INSTRUMENT TYPE | GROSS AMOUNTS OF FINANCIAL LIABILITIES (A) | FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B) | NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B) | RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET | | NET AMOUNTS AT 12.31.2016 (F=C-D-E) | NET AMOUNTS AT 12.31.2015 |
|---|---|---|---|---|---|---|---|
| | | | | FINANCIAL INSTRUMENTS (D) | CASH COLLATERAL (E) | | |
| 1. Derivatives | 65,705,882 | 17,755,986 | 47,949,896 | 29,846,151 | 10,350,090 | 7,753,655 | 6,822,519 |
| 2. Repos | 30,638,930 | 3,770,207 | 26,868,723 | 21,783,706 | - | 5,085,017 | 7,525,107 |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Others | 86,471,435 | 2,596,173 | 83,875,262 | - | - | 83,875,262 | 88,154,046 |
| **Total 12.31.2016** | **182,816,247** | **24,122,366** | **158,693,881** | **51,629,857** | **10,350,090** | **96,713,934** | **X** |
| **Total 12.31.2015** | **189,558,379** | **22,122,622** | **167,435,757** | **53,064,417** | **11,869,668** | **X** | **102,501,672** |

Financial Liabilities offset in balance sheet (column "b" - sub-item 1. Derivatives) mainly refers to derivative contracts settled with Central Clearing Counterparts (CCPs).

The business model governing OTC derivatives trading with customers provides for centralization of market risk in the CIB Division-Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the Commercial banks and Divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g., structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

The UniCredit group trades OTC derivatives on a wide range of underlying, e.g.: interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalization: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division/Subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and control in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients usually does not entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to credit risk mitigation 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' to be used for items designated and measured at fair value maximizing usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

## Regulatory trading book: end of period notional amounts

(€ '000)

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS 12.31.2016 | | AMOUNTS AS 12.31.2015 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CLEARING HOUSE | OVER THE COUNTER | CLEARING HOUSE |
| **1. Debt securities and interest rate indexes** | **1,562,776,561** | **95,629,061** | **1,937,867,979** | **67,809,704** |
| a) Options | 192,012,912 | 38,670,000 | 295,650,045 | 27,144,004 |
| b) Swap | 1,299,915,308 | 5,383,967 | 1,437,640,428 | - |
| c) Forward | 20,014,727 | 36,586,627 | 64,116,649 | 720,284 |
| d) Futures | 3,192 | 14,988,467 | - | 39,945,416 |
| e) Others | 50,830,422 | - | 140,460,857 | - |
| **2. Equity instruments and stock indexes** | **29,023,255** | **37,408,944** | **31,315,887** | **38,230,422** |
| a) Options | 18,825,725 | 30,893,038 | 21,878,759 | 31,379,947 |
| b) Swap | 9,935,000 | 812,000 | 9,081,000 | 597,000 |
| c) Forward | 193,000 | - | 318,007 | - |
| d) Futures | - | 5,703,906 | - | 6,253,475 |
| e) Others | 69,530 | - | 38,121 | - |
| **3. Gold and currencies** | **554,939,937** | **22,867** | **578,799,163** | **186,685** |
| a) Options | 72,391,449 | - | 44,618,424 | - |
| b) Swap | 179,423,633 | 18,867 | 203,029,125 | - |
| c) Forward | 302,413,778 | - | 330,500,277 | 180,685 |
| d) Futures | - | 4,000 | - | 6,000 |
| e) Others | 711,077 | - | 651,337 | - |
| **4. Commodities** | **3,910,905** | **4,091,000** | **3,554,282** | **1,909,000** |
| **5. Other underlyings** | **3,274,000** | **-** | **2,661,967** | **-** |
| **Total** | **2,153,924,658** | **137,151,872** | **2,554,199,278** | **108,135,811** |

This table refers to the notional values of financial derivatives according to classification within regulatory trading. Derivatives belonging to this portfolio may not be the same as derivatives classified in the held for trading portfolio for accounting purposes (see Table - Banking book: end of period notional amount – Other derivates).
Amounts reported in column “Over the counter” include OTC traded contracts settled with Central Clearing Counterparts.
Column “Clearing House” includes those contracts negotiated within listed markets and supported by margining processes mitigating counterparty risk exposure.

## Banking portfolio: end-of-period notional amounts - Hedging derivatives

(€ '000)

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS 12.31.2016 | | AMOUNTS AS 12.31.2015 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CLEARING HOUSE | OVER THE COUNTER | CLEARING HOUSE |
| **1. Debt securities and interest rate indexes** | **23,356,962** | **9,331,000** | **25,167,813** | **2,690,000** |
| a) Options | 2,697,750 | - | 2,735,750 | - |
| b) Swap | 20,634,212 | 9,303,000 | 22,354,063 | 520,000 |
| c) Forward | 25,000 | - | 78,000 | - |
| d) Futures | - | 28,000 | - | 2,170,000 |
| e) Others | - | - | - | - |
| **2. Equity instruments and stock indexes** | **8,000** | **-** | **-** | **-** |
| a) Options | 8,000 | - | - | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **3. Gold and currencies** | **4,801,670** | **-** | **4,472,632** | **-** |
| a) Options | 436,087 | - | - | - |
| b) Swap | 3,587,092 | - | 3,271,765 | - |
| c) Forward | 778,491 | - | 1,200,867 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **Total** | **28,166,632** | **9,331,000** | **29,640,445** | **2,690,000** |

This table refers the notional value of hedging financial derivatives belonging to regulatory banking book. Amounts reported in column “Over the counter” include OTC traded contracts settled with Central Clearing Counterparts.Column “Clearing House” includes those contracts negotiated within listed markets and supported by margining processes mitigating counterparty risk exposure.

## Banking portfolio: end-of-period notional amounts - Other derivatives

(€ '000)

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS 12.31.2016 | | AMOUNTS AS 12.31.2015 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CLEARING HOUSE | OVER THE COUNTER | CLEARING HOUSE |
| **1. Debt securities and interest rate indexes** | **40,081,745** | **-** | **18,796,655** | **3,600,000** |
| a) Options | 6,037,581 | - | 6,010,000 | - |
| b) Swap | 34,044,164 | - | 12,726,439 | 3,600,000 |
| c) Forward | - | - | 60,216 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **2. Equity instruments and stock indexes** | **622,622** | **-** | **1,935,584** | **-** |
| a) Options | 506,222 | - | 1,856,184 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | 116,400 | - | 79,400 | - |
| **3. Gold and currencies** | **4,282,411** | **-** | **1,018,927** | **-** |
| a) Options | 4,168 | - | 13,606 | - |
| b) Swap | 3,143,100 | - | 234,186 | - |
| c) Forward | 596,265 | - | 771,135 | - |
| d) Futures | - | - | - | - |
| e) Others | 538,878 | - | - | - |
| **4. Commodities** | **-** | **-** | **3,591** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **Total** | **44,986,778** | **-** | **21,754,757** | **3,600,000** |

This table refers the notional value of the contracts being presented within accounting held for trading portfolio and belonging to regulatory banking book.
Amounts reported in column “Over the counter” include OTC traded contracts settled with Central Clearing Counterparts.
Column “Clearing House” includes those contracts negotiated within listed markets and supported by margining processes mitigating counterparty risk exposure.

## Financial derivatives: gross positive fair value - breakdown by product

(€ '000)

| TRANSACTION TYPES/UNDERLYINGS | POSITIVE FAIR VALUE | | | |
|---|---|---|---|---|
| | AMOUNTS AS 12.31.2016 | | AMOUNTS AS 12.31.2015 | |
| | OVER THE COUNTER | CLEARING HOUSE | OVER THE COUNTER | CLEARING HOUSE |
| **A. Regulatory trading book** | **65,464,866** | **1,829,187** | **69,178,073** | **1,574,772** |
| a) Options | 4,991,003 | 1,667,361 | 4,534,032 | 1,535,988 |
| b) Interest rate swaps | 47,548,527 | 15,595 | 52,709,259 | - |
| c) Cross currency swap | 6,818,746 | 42 | 6,512,649 | - |
| d) Equity swaps | 213,000 | - | 172,000 | - |
| e) Forward | 5,760,237 | 307 | 4,886,896 | 2,342 |
| f) Futures | - | 145,882 | - | 36,442 |
| g) Others | 133,353 | - | 363,237 | - |
| **B. Banking book - Hedging derivatives** | **477,227** | **908** | **487,090** | **-** |
| a) Options | 21,182 | - | 8,000 | - |
| b) Interest rate swaps | 334,597 | 908 | 435,186 | - |
| c) Cross currency swap | 118,299 | - | 36,888 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 3,149 | - | 6,016 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | 1,000 | - |
| **C. Banking book - other derivatives** | **3,241,850** | **-** | **2,205,861** | **891** |
| a) Options | 559 | - | 2,845 | - |
| b) Interest rate swaps | 3,134,786 | - | 2,197,806 | 891 |
| c) Cross currency swap | 102,152 | - | 372 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 1,357 | - | 4,838 | - |
| f) Futures | - | - | - | - |
| g) Others | 2,996 | - | - | - |
| **Total** | **69,183,943** | **1,830,095** | **71,871,024** | **1,575,663** |

This table presents distribution by product of the gross positive financial derivatives’ fair values before accounting netting.

## Financial derivatives: gross negative fair value - breakdown by product

(€ '000)

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | NEGATIVE FAIR VALUE AMOUNTS AS 12.31.2016 OVER THE COUNTER | NEGATIVE FAIR VALUE AMOUNTS AS 12.31.2016 CLEARING HOUSE | NEGATIVE FAIR VALUE AMOUNTS AS 12.31.2015 OVER THE COUNTER | NEGATIVE FAIR VALUE AMOUNTS AS 12.31.2015 CLEARING HOUSE |
|---|---|---|---|---|
| **A. Regulatory trading book** | **62,470,709** | **4,165,684** | **65,869,558** | **2,154,416** |
| a) Options | 7,485,479 | 2,108,297 | 6,539,359 | 2,029,823 |
| b) Interest rate swaps | 41,539,311 | 8,832 | 46,290,732 | - |
| c) Cross currency swap | 6,627,434 | 213 | 7,799,812 | - |
| d) Equity swaps | 300,000 | - | 135,000 | - |
| e) Forward | 6,273,053 | 618 | 4,940,656 | 131 |
| f) Futures | - | 2,047,724 | - | 124,462 |
| g) Others | 245,432 | - | 16,999 | - |
| **B. Banking book - Hedging derivatives** | **1,308,180** | **1,962** | **1,227,172** | **75,292** |
| a) Options | 12,591 | - | 8,724 | - |
| b) Interest rate swaps | 1,038,198 | 1,962 | 946,390 | 75,292 |
| c) Cross currency swap | 252,582 | - | 264,379 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 4,809 | - | 7,679 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **C. Banking book - Other derivatives** | **1,035,020** | **12** | **809,001** | **108** |
| a) Options | 62,897 | - | 77,703 | - |
| b) Interest rate swaps | 910,639 | 12 | 715,165 | 108 |
| c) Cross currency swap | 48,268 | - | - | - |
| d) Equity swaps | - | - | 8,780 | - |
| e) Forward | 6,981 | - | 4,759 | - |
| f) Futures | - | - | - | - |
| g) Others | 6,235 | - | 2,594 | - |
| **Total** | **64,813,909** | **4,167,658** | **67,905,731** | **2,229,816** |

This table presents distribution by product of the gross negative financial derivatives' fair values before accounting netting.
Amounts reported in column "Over the counter" include OTC traded contracts settled with Central Clearing Counterparts.
Column "Clearing House" includes those contracts negotiated within listed markets and supported by margining processes mitigating counterparty risk exposure.
Nominal amounts for OTC traded contracts settled with Central Clearing Counterparts are equal to €862 billion with a positive and negative fair value of €18.6 and €17.4 billion respectively.

**OTC Financial derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement**

(€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| CONTRACTS NOT INCLUDED IN NETTING AGREEMENT | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | 1,684,725 | 12,950,421 | 50,582,078 | 15,920,052 | 1,588,833 | 36,258,741 | 531,948 |
| - positive fair value | 187 | 1,336,595 | 734,804 | 366,695 | 23,707 | 1,486,531 | 27,726 |
| - negative fair value | 6,176 | 294,525 | 1,690,168 | 618,894 | 54,799 | 153,891 | 583 |
| - future exposure | 1,323 | 130,722 | 404,679 | 130,547 | 13,324 | 306,990 | 106 |
| **2) Equity instrumets and stock indexes** | | | | | | | |
| - notional amount | - | - | 224,779 | 57,776 | 351,546 | 706,303 | 631,980 |
| - positive fair value | - | - | 6,375 | 1,008 | 268 | 2,590 | 2,679 |
| - negative fair value | - | - | 10,781 | 19,000 | 11,609 | 18,416 | 11,026 |
| - future exposure | - | - | 31,481 | 4,000 | 1,459 | 8,731 | 4,004 |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | 1,103,479 | 3,541,415 | 26,138,709 | 9,904,148 | 837,738 | 21,904,259 | 3,435,171 |
| - positive fair value | 2,375 | 23,018 | 366,944 | 135,894 | 19,702 | 521,092 | 66,954 |
| - negative fair value | 10,874 | 242,606 | 681,399 | 155,744 | 6,830 | 482,862 | 23,981 |
| - future exposure | 10,107 | 76,025 | 539,667 | 148,779 | 9,184 | 331,294 | 9,598 |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | 7,000 | 315,910 | 2,838,000 | 25,000 | 795,351 | - |
| - positive fair value | - | - | 5,396 | 10,000 | 3,000 | 39,156 | - |
| - negative fair value | - | 1,000 | 14,090 | 74,000 | - | 48,969 | 2 |
| - future exposure | - | 1,000 | 31,757 | 187,000 | - | 81,822 | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

## OTC Financil derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreement

(€ '000)

| CONTRACTS INCLUDED IN NETTING AGREEMENT | AMOUNTS AS AT 12.31.2016 GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and** | | | | | | | |
| - notional amount | 168,777 | 23,830,568 | 388,723,655 | 978,165,792 | 7,405,501 | 44,768,473 | 197,000 |
| - positive fair value | 34,179 | 2,649,539 | 19,140,384 | 24,072,978 | 30,148 | 1,519,906 | 11,000 |
| - negative fair value | 279 | 765,546 | 20,750,254 | 21,939,959 | 530,389 | 755,795 | - |
| **2) Equity instruments and** | | | | | | | |
| - notional amount | - | - | 20,305,000 | 5,814,000 | 854,000 | 77,871 | - |
| - positive fair value | - | - | 411,000 | 226,000 | 2,000 | - | - |
| - negative fair value | - | - | 776,000 | 151,000 | 22,000 | 19,554 | - |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | 1,160,634 | 1,180,000 | 341,261,967 | 66,208,420 | 11,458,344 | 66,790,297 | 15,355 |
| - positive fair value | 931 | 2,000 | 6,967,937 | 1,777,203 | 134,001 | 3,068,600 | 4,007 |
| - negative fair value | 229,428 | 49,000 | 8,157,130 | 1,468,376 | 82,066 | 1,829,206 | 1 |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | 247,000 | 282,085 | - | 2,674,559 | - |
| - positive fair value | - | - | 13,000 | 5,985 | - | 211,372 | - |
| - negative fair value | - | - | 25,000 | 30,384 | - | 257,119 | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

## OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contrcts not included in netting agreement

(€ '000)

| CONTRACTS NOT INCLUDED IN NETTING AGREEMENT | AMOUNTS AS AT 12.31.2016 GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and** | | | | | | | |
| - notional amount | 709,550 | 5,002,000 | 16,699,596 | 4,605,555 | 694,000 | 46,000 | 10,000 |
| - positive fair value | 414 | 2,368,298 | 860,474 | 76,865 | 17,000 | 1,000 | - |
| - negative fair value | 24,645 | - | 107,834 | 892,544 | 1,000 | - | - |
| - future exposure | 3,612 | 52,500 | 66,691 | 54,744 | 10,000 | 1,000 | - |
| **2) Equity instruments and** | | | | | | | |
| - notional amount | - | - | 200,000 | 4,789 | - | 970 | 302,463 |
| - positive fair value | - | - | - | 2,408 | - | - | - |
| - negative fair value | - | - | 3,033 | - | - | - | 59,528 |
| - future exposure | - | - | - | 223 | - | 78 | 16 |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | 104,870 | - | 6,898,807 | 643,918 | - | 9,155 | 947 |
| - positive fair value | 1,338 | - | 182,010 | 25,669 | - | 114 | - |
| - negative fair value | - | - | 254,986 | 5,939 | - | 1 | 26 |
| - future exposure | - | - | 114,378 | 501 | - | 31 | - |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

## OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements

(€ '000)

| CONTRACTS INCLUDED IN NETTING AGREEMENT | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
|---|---|---|---|---|---|---|---|
| | AMOUNTS AS AT 12.31.2016 | | | | | | |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | - | 487,484 | 10,353,640 | 24,819,301 | - | 11,583 | - |
| - positive fair value | - | 11,589 | 98,956 | 45,935 | - | - | - |
| - negative fair value | - | 117,381 | 430,637 | 373,324 | - | 4,953 | - |
| **2) Equity instruments and stock indexes** | | | | | | | |
| - notional amount | - | - | 116,400 | 6,000 | - | - | - |
| - positive fair value | - | - | - | 6,000 | - | - | - |
| - negative fair value | - | - | 4,493 | - | - | - | - |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | - | - | 1,245,046 | 181,340 | - | - | - |
| - positive fair value | - | - | 20,702 | 305 | - | - | - |
| - negative fair value | - | - | 60,449 | 2,426 | - | - | - |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

## Credit derivatives: end-of-period notional amounts

(€ '000)

| TRANSACTION CATEGORIES | | REGULATORY TRADING BOOK | | BANKING BOOK | |
|---|---|---|---|---|---|
| | | WITH A SINGLE COUNTERPARTY | WITH MORE THAN ONE COUNTERPARTY | WITH A SINGLE COUNTERPARTY | WITH MORE THAN ONE COUNTERPARTY |
| **1. Protection buyer's contracts** | | | | | |
| a) Credit default products | | 13,708,000 | 11,617,000 | 220,100 | - |
| b) Credit spread products | | - | - | - | - |
| c) Total rate of return swap | | 150,000 | - | - | - |
| d) Other | | - | - | - | - |
| **Total** | **12.31.2016** | **13,858,000** | **11,617,000** | **220,100** | **-** |
| **Total** | **12.31.2015** | **16,958,000** | **14,095,400** | **335,100** | **-** |
| **2. Protection seller's contracts** | | | | | |
| a) Credit default products | | 14,467,000 | 11,334,000 | - | - |
| b) Credit spread products | | - | 3,883 | - | - |
| c) Total rate of return swap | | - | - | - | - |
| d) Other | | - | - | - | - |
| **Total** | **12.31.2016** | **14,467,000** | **11,337,883** | **-** | **-** |
| **Total** | **12.31.2015** | **19,156,847** | **13,012,000** | **100,000** | **-** |

This table refers to the notional values of credit derivatives according to classification within regulatory trading or banking book.

## Credit derivatives: gross positive fair value - breakdown by product

(€ '000)

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | POSITIVE FAIR VALUE AMOUNTS AS AT 12.31.2016 | POSITIVE FAIR VALUE AMOUNTS AS AT 12.31.2015 |
|---|---|---|
| **A. Regulatory trading book** | **498,038** | **757,724** |
| a) Credit default products | 498,000 | 757,038 |
| b) Credit spread products | 38 | 686 |
| c) Total rate of return swap | - | - |
| d Others | - | - |
| **B. Banking book** | **1,000** | **1,000** |
| a) Credit default products | 1,000 | 1,000 |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Other | - | - |
| **Total** | **499,038** | **758,724** |

This table presents distribution by product of the gross positive financial derivatives' fair values before accounting netting.

## Credit derivatives: gross negative fair value - breakdown by product

(€ '000)

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | NEGATIVE FAIR VALUE AMOUNTS AS AT 12.31.2016 | NEGATIVE FAIR VALUE AMOUNTS AS AT 12.31.2015 |
|---|---|---|
| **A. Regulatory trading book** | **533,058** | **774,622** |
| a) Credit default products | 506,000 | 774,000 |
| b) Credit spread products | 58 | 622 |
| c) Total rate of return swap | 27,000 | - |
| d) Others | - | - |
| **B. Banking book** | **2,912** | **5,147** |
| a) Credit default products | 2,912 | 5,147 |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Other | - | - |
| **Total** | **535,970** | **779,769** |

This table presents distribution by product of the gross negative financial derivatives' fair values before accounting netting.

**OTC Credit derivatives: gross FV (positive and negative) by counterpart - contracts not in netting agreement** (€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| **CONTRACTS NOT INCLUDED IN NETTING AGREEMENT** | **GOVERNMENTS AND CENTRAL BANKS** | **OTHER PUBLIC-SECTOR ENTITIES** | **BANKS** | **FINANCIAL COMPANIES** | **INSURANCE COMPANIES** | **NON-FINANCIAL COMPANIES** | **OTHER ENTITIES** |
| **Regulatory trading book** | | | | | | | |
| **1) Protection purchase** | | | | | | | |
| - notional amount | - | - | 505,000 | 1,597,000 | - | - | - |
| - positive fair value | - | - | - | 13,000 | - | - | - |
| - negative fair value | - | - | 26,000 | 29,000 | - | - | - |
| - future exposure | - | - | 50,000 | 160,000 | - | - | - |
| **2) Protection sale** | | | | | | | |
| - notional amount | - | - | 777,883 | 1,195,000 | - | - | - |
| - positive fair value | - | - | 47,038 | 15,000 | - | - | - |
| - negative fair value | - | - | 58 | 15,000 | - | - | - |
| - future exposure | - | - | 77,000 | 120,000 | - | - | - |
| **Banking book** | | | | | | | |
| **1) Protection purchase** | | | | | | | |
| - notional amount | - | - | 50,100 | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | 912 | - | - | - | - |
| **2) Protection sale** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

**OTC Credit derivatives: gross FV (positive and negative) by counterpart - contracts in netting agreement** (€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| **CONTRACTS INCLUDED IN NETTING AGREEMENT** | **GOVERNMENTS AND CENTRAL BANKS** | **OTHER PUBLIC-SECTOR ENTITIES** | **BANKS** | **FINANCIAL COMPANIES** | **INSURANCE COMPANIES** | **NON-FINANCIAL COMPANIES** | **OTHER ENTITIES** |
| **Regulatory trading book** | | | | | | | |
| **1) Protection purchase** | | | | | | | |
| - notional amount | - | - | 15,209,000 | 8,164,000 | - | - | - |
| - positive fair value | - | - | 69,000 | 55,000 | - | - | - |
| - negative fair value | - | - | 227,000 | 91,000 | - | - | - |
| **2) Protection sale** | | | | | | | |
| - notional amount | - | - | 12,668,000 | 11,164,000 | - | - | - |
| - positive fair value | - | - | 165,000 | 134,000 | - | - | - |
| - negative fair value | - | - | 67,000 | 78,000 | - | | - |
| **Banking book** | | | | | | | |
| **1) Protection purchase** | | | | | | | |
| - notional amount | - | - | 33,000 | 137,000 | - | - | - |
| - positive fair value | - | - | 1,000 | - | - | - | - |
| - negative fair value | - | - | - | 2,000 | - | - | - |
| **2) Protection sale** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

The table refers to OTC derivatives' contracts (excluded those contracts negotiated within listed markets and supported by margining process thus overriding counterparty risks exposure).

## OTC Financial and credit derivatives: net fair values and future exposure by counterparty

(€ '000)

| | AMOUNTS AS AT 12.31.2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | ANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Netting agreements related to Financial Derivatives** | | | | | | | |
| - positive fair value | 34,857 | 81,632 | 70,812 | 59,854 | 6,942 | 1,473,325 | 7 |
| - negative fair value | 229,454 | 108,793 | 422,056 | 515,984 | 7 | 459,550 | - |
| - future exposure | 33,824 | 8,665 | 224,252 | 83,059 | 2,774 | 346,317 | - |
| - net counterparty risk | 298,109 | 90,297 | 272,456 | 120,383 | 9,379 | 1,795,192 | - |
| **2) Netting agreements related to Credit Derivatives** | | | | | | | |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| **3) Cross Product netting agreements** | | | | | | | |
| - positive fair value | 44 | 1,879,621 | 5,734,021 | 3,688,140 | 65,417 | 2,108,376 | 30,460 |
| - negative fair value | - | 290,673 | 8,365,976 | 1,573,297 | 542,348 | 1,059,847 | 52 |
| - future exposure | 1 | 780 | 185,165 | 53,947 | 6,768 | 3,437 | - |
| - net counterparty risk | 179 | 1,175,782 | 3,085,528 | 4,731,243 | 113,252 | 2,456,666 | 40,610 |

# Market Risks

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading Book, as well as those posted in the Banking Book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within the UniCredit group accordingly includes all activities related to cash transactions and capital structure management, both for the Parent company, as well as for the individual companies making up the Group.

The current organizational model guarantees the ability to steer, to coordinate and to control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centers (Portfolio Risk Managers), completely focused and specialized on such risks, under a Group and interdivisional perspective.

According to this organization, 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 risks assumed.

In addition to the Group Risk Internal Controller Committee, with reference to the management of Market Risks, the responsible Committees are:

- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

The "Group Market Risk Committee" is responsible for monitoring market risks at Group level, for evaluating the impact of transactions – approved by the competent bodies – significantly affecting the overall Market Risk portfolio profile, for submitting to the "Group Risk Internal Controller Committee" – for approval or information – market risk strategies, policies, methodologies and limits as well as regular reporting on the market risk portfolio.
The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Divisions, Business Units and Legal Entities. It controls and monitors the Group market risk portfolio.

The "Group Assets and Liabilities Committee" is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and Banking Book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities. It also ensures the consistency of the practices and methodologies related to liquidity, FX and Banking Book interest rate across 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.

**Trading Book**
The Trading Book includes the positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the Trading Book itself. To be eligible for Trading Book capital treatment, in accordance with the current policy "Eligibility Criteria for the Regulatory Trading Book assignment", financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed.

The risk that the value of a financial instrument (an asset or a liability, cash or derivative) changes over time is determined by the following five standard market risk factors:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes;
- Equity risk: the risk that the value of the instrument decreases due to stock or index prices changes;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes;
- Commodity risk: the risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

UniCredit group manages and monitors market risk through two sets of measures:

- Broad Market Risk measures:
    - Value at Risk (VaR), which represents the potential loss in value of a portfolio over a defined period for a given confidence interval;
    - Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a continuous 12-month period of significant financial stress;
    - Incremental Risk Charge (IRC), which represents the amount of regulatory capital aimed at addressing the credit shortcomings (rating migration and default risks) that can affect a portfolio in a defined time period for a given confidence interval;
    - Loss Warning Level (LWL), which is defined as the 60 calendar days rolling period accumulated economic P&L of a risk taker;
    - Stress Test Warning Level (STWL), which represents the potential loss in value of a portfolio calculated on the basis of a distressed scenario.
- Granular Market Risk measures:
    - Sensitivities, which represent the change in the market value of a financial instrument due to moves of the relevant market risk factors.

On the basis of these measures, two sets of limits are defined:

- Broad Market Risk limits (Loss Warning Levels, Stress Test Warning Level, VaR, SVaR, IRC): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted for activities under trading activities regime; these limits have to be consistent with the assigned budget of revenues and the defined risk taking capacity;
- Granular Market Risk limits (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with Broad Market Risk limits and operate in a consolidated fashion across the Legal Entities (if applicable); in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for Granular Market Risk measures aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

**Banking Book**

The main components of market risk in the Banking Book are credit spread risk, pure interest rate risk and FX risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is restricted based on notional, sensitivity measures and Value at Risk. The main credit spread exposure is related to Italian sovereign risk in the Italian perimeter.

The second risk type is the interest rate risk. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. On a daily basis the treasury functions manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non interest earning assets and non-interest bearing liabilities. The management of Banking Book interest rate risk aims to optimize, in an on-going scenario, the risk/return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The main target of IRRBB strategy is the reduction of net interest income volatility in a multiyear horizon. The strategy does not imply any intended directional or discretional positioning to generate additional earnings, unless approved by relevant bodies and separately monitored. The only exceptions is for those functions authorized to carry interest rates positions within an approved level of limitations. The management strategy on the structural mismatch involving non-interest earning assets and non-interest bearing liabilities (free funds), aims to balance the trade-off between a stable flow of earnings in a multiyear horizon and the opportunity cost of having a fixed rate investment.
The interest rate management strategy takes into account the main impact from prepayments. Based on historical prepayment data as well as trend analysis the prepayment behavior is estimated. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk for the German mortgage portfolio is driven by the level of the interest rates and by the behavior of the customers independent of the level of the interest rates. The interest rate sensitive prepayments are rather small at the current level of the interest rates and are hedged via swaptions. The not interest rate sensitive prepayments are hedged via swaps according to the Interest Rate Risk strategy of the bank. The prepayment risk in the Austrian and Polish loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on Banking Book perimeter is periodically reported, at least on a monthly basis, to the Group ALCO. The committee's involvement in interest rate risk management includes:

- the definition of granular interest rate Banking Book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking Book interest rate risks with the support of internal validation function (where necessary);
- optimizing the Group profile for Banking Book interest rate risk;
- the definition of the operative strategies of balance sheet (e.g. replicating portfolio) and application of the internal transfer prices within the Italian perimeter;
- consulting and suggestion functions to Group Risk & Internal Control Committee with respect to the contribution to Risk Appetite framework, Global Policy for Interest Rate Banking Book definition and changes of behavioral models for Interest Rate Banking Book and other critical/important issues with potential impact on Banking Book interest rate.

A third risk type is FX risk. The sources of this exposure refer mainly to capital investment in foreign currency. The current strategy is not to hedge the capital. The general policy is to hedge the foreign currency exposure related to dividends and P&L taking into account hedging cost and market circumstances. The exposure is most relevant for Pekao and the CEE Legal Entities. The FX exposure is hedged using forwards and options that are classified as Trading Book. This general rule is valid for the Parent Company. The hedge strategy is reviewed by the relevant risk committees on a periodic basis.

**Structure and Organization**
The "Group Financial Risk" is responsible for the government and control of Group financial risks (liquidity, interest rate, market, counterparty and trading credit risks) through the evaluation of strategies and the proposal to relevant Bodies of risk limits and Global/Local rules. The department is also responsible for the managerial coordination of the corresponding functions of Regional Centers (RCs), according to "Group Managerial Golden Rules" (GMGR) and "GMGR Evolution", and for providing decisions and Non-Binding Opinions (NBO), when specifically required, for all financial risks of the Group.

In addition, the "Group Financial Risk" department is responsible for the definition, set up and maintenance of Group methodologies and architectures for the measurement and control of financial risks and practices for Market Data Reference and Fair Value of financial instruments. The department ensures the compliance of the Financial Risk Management framework with regulatory requirements.

In order to effectively manage Group financial risks, the organizational structure includes the following units/departments:

## Risk measurement and reporting systems

**Trading Book**

During 2016, UniCredit group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurement, more details can be find in the 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 Operational Instruction are periodically updated. The monitoring of the risk profiles is made even more effective with the individual granular risk limits, in addition to Broad limits, in relation to primary investment banking operations.

Within the organizational context described above, the policy implemented by the UniCredit Group within the scope of market risk management is aimed at the gradual adoption and use of common principles, rules and processes in terms of appetite for risk, ceiling calculations, model development, pricing and risk model scrutiny.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.
The main tool used by the UniCredit Group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.
Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to Top Management and regulators regarding the market risk profile on a consolidated level.

In addition to VaR and Basel II risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

**Banking Book**

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking Book lies in the Bank’s competent Bodies. For instance, the Parent Company is in charge of monitoring market risks for the Banking Book at the consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.
The Banking Book interest rate risk measures cover both the value and net interest income risk aspects.
More precisely, the different and complementary perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank’s expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition the economic value sensitivity for a 200 bps parallel shock is included.
- Earnings at Risk perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bp parallel shock of rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Next to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. Besides through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

**Hedging policies and risk mitigation**

**Trading Book**
On a quarterly basis a set of risk indicators is provided to the Group Risk Committee through the Enterprise Risk Management Report and, on a monthly basis, to the Group Market Risk Committee through the Market Risk Overview report; these include VaR, Stressed VaR and IRC usages, Sensitivities, Sovereign Exposure and Stress Test results.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk Committee, the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to involve to establish the most appropriate course of action to restore exposure within the approved limits.

If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of comprehension and discussion of the risks in certain areas which are deemed to deserve particular attention.

**Banking Book**
The ALCO evaluates the main market risk drivers on a monthly basis. Group Risk Management reports to the committee on the Banking Book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.
Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.
Execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. Strategic transactions in the Banking Book is managed by the Asset and Liability Management department-ALM.

# Market Risks: exposure and use of internal models

## Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book

The policy implemented by UniCredit group within the scope of market risk management is aimed at the adoption and use of best practice principles, rules and processes in terms of risk appetite, model development and risk model scrutiny.
Group Financial Risk department is 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 Directive 2010/76/EU (CRD III) introduced several improvements to the capital regime for Trading Book positions fully incorporating the proposal from the Basel Committee. CRD III enhanced the consolidated Value-at-Risk (VaR)-based framework with other risk measures: an incremental risk capital charge (IRC) and a stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk.

All the regulatory requirements in the market risk arena have been addressed via internal development of the necessary model and IT infrastructure as oppose to the external acquisition of ready-made solutions.
This enabled UniCredit to craft solutions that in many aspects can be considered on the sophisticated end of the spectrum of practices that can be found in the Industry. In this respect one distinctive feature of the market (and counterparty) risk frameworks implemented in UniCredit group is the full revaluation approach employing the same pricing libraries used in the Front Office.

UniCredit group calculates both VaR and SVaR for market risk on trading positions using the historical simulation method. Under the historical simulation method positions are revaluated (in full revaluation approach) on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving therefrom is analyzed 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 such 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 historical scenarios covering the most recent 500 days. The model is recalibrated on a daily basis. The use of a 1-day time-horizon makes the immediate comparison with realized profits/losses possible and such comparison is at the heart of the back-testing exercise.

The VaR measure identifies a consistent measure across all of our portfolio and products, since it:

- allows a comparison of risk among different businesses;
- provides a means of aggregating and netting position within a portfolio to reflect correlation and offsets between different assets classes;
- facilitates comparisons of our market risk both over time and against daily results.

Although a valuable guide to risk, VaR should always be viewed within its limitations:

- Historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- The length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- Assuming a constant one/ten day horizon there is no discrimination between different risk-factor liquidity.

Analogously Stressed VaR is calculated with 99% confidence level and 1 day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.

Stress windows are recalibrated on a quarterly basis and are tailored to the portfolio of each Legal Entitiy of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level).
The SVaR window at Group level and for UniCredit S.p.A. has been set to the “Sovereign Debt Crisis” window (2012). For UCB AG and UCBA AG the stressed window corresponds instead to the “Lehman Crisis” (2008/09).
The 10-day capital requirement is however obtained via 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.

The IRC capital charge captures default risk as well as migration risk for un-securitized credit products held in 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. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In so doing a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1Y.
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 securitizations and credit products not covered by IRC is evaluated through the standardized approach.

The following table summarizes the main characteristics of the different measures that define the Capital requirement for market risk in UniCredit.

| Measure | Risk Type | Horizon | Quantile | Simulation | Calibration |
|---|---|---|---|---|---|
| VaR | All Market Risk Factors | 1d | 99% | Historical | 2Y window, equally weighted |
| SVaR | All Market Risk Factors | 1d | 99% | Historical | 1Y window, equally weighted |
| IRC | Rating Migration & Default | 1Y | 100.0% | Monte Carlo | Through-the-cycle (min 8Y) |

“Group Internal Validation” performed its analyses in order to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards.
As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are simply not applicable. 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 the UniCredit portfolios.
Group Internal Validation kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation).
In particular, among the topics Group Internal Validation addressed, we should mention model parameterization (sensitivities analysis with regard to the most relevant model parameters, stability analysis with regard to potentially hard-to-estimate model inputs), model design, model replication, portfolio structure, processes and model outputs.

While IRC has a unique view with UniCredit group, for VaR and Stressed VaR the bank differentiates between regulatory and managerial views. The Managerial measures including VaR, SVaR and IRC, are used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.
The Managerial VaR has a wider scope: it is used to monitor both Trading Book and Overall perimeter (Trading Book + Banking Book), in order to have a complete picture of risk.

The major differences between Regulatory and Managerial VaR and SVaR, as far as Trading Book is concern, are:

- inclusion of the FX risk of the Banking Book for Regulatory purposes as for the approved legal entities (UniCredit Bank AG and UniCredit BankAustria AG); for those where it is not approved yet it is instead being activated in the managerial run;
- inclusion in the managerial run of UniCredit BankAustria Group of those positions held in sub Legal Entities not subject to the Internal Model for regulatory purposes;
- inclusion in the managerial run of the CEE Legal Entities that are not subject to the Internal Model for regulatory purposes.

| Measure | View | UniCredit Bank AG | UniCredit BankAustria AG | UniCredit Spa | CEE Legal Entities |
|---|---|---|---|---|---|
| FX Risk BB | Reg | YES | YES | NO | |
| | Mng | NO | YES | NO | YES |
| Non IMA Legal Entities | Reg | NO | NO | NO | |
| | Mng | YES | YES | YES | YES |

Banca d’Italia authorized UniCredit group to the use of internal models for the calculation of capital requirements for market risk. As of today CEE countries and Bank Pekao are the main companies of the Group that are using the standardized approach for calculating capital requirements related to trading positions. However, the VaR measure is used for the management of market risk in these latter companies.

The standardized measurement method is also applied to the calculation of capital covering the risk of holding Banking Book exposure in foreign currencies for the subsidiaries that do not perform trading activities.

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

Finally Trading portfolios are subject to Stress tests according to a wide range of scenarios for managerial reporting, which are described in a dedicated paragraph below. According to national regulations, some relevant scenarios are also a matter of regulatory reporting on a quarterly basis. Moreover, substitute risk measures, i.e. sensitivities, defined stress scenarios or the indication of nominal amounts, are considered and included in the regulatory reporting for the estimation of risks that are not covered by the VaR simulation of the internal model.

As for internal scenario analysis, policies and procedures (i.e. "stress testing"), stress tests results for IMOD perimeter are calculated in the Group engine UGRM, thus ensuring a common methodological approach. For non-IMOD portfolio, these procedures have been entrusted to the individual legal entities. Overall, however, a set of scenarios common to the Group as a whole, is applied to all positions in order to check on a monthly basis the potential impact that their occurrence could have on the global trading portfolio. Stress Test’s results and effects are discussed on monthly basis, during a Market Risk Stress Test Open Forum, where the Market Risk function’s representatives of the different companies of the Group and Business’ representatives take part.Test Open Forum, where the Market Risk function’s representatives of the different companies of the Group and Business’ representatives take part.

## Procedures and methodologies for Valuation of Trading Book positions

UniCredit Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs directly calculated from market data. The availability of observable prices or inputs differs by product and market, and might change over time.
In case observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market) without any subjective component (e.g. liquid securities or equities, exchange traded derivatives). This includes instruments whose fair value is derived from valuation models which are accepted market practice and represent industry standard and whose inputs are directly observable (e.g. plain vanilla swap and a number of option contracts).
In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated leveraging on valuation techniques appropriate for the specific instrument (mark-to-model). This approach involves estimation and expert judgment and, therefore, might require valuation adjustments which take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for fair value calculation needs to be validated by a dedicated function independent from business units.

According to Group Market Risk Governance Guidelines, that define rules and principles for the management and the control of those activity that are entailed with Market Risk, in order to ensure the adequate separation between functions in charge of development activities and functions in charge of validation, the pricing models developed by Legal Entities front – office functions, are centrally and independently tested and validated by Group Internal Validation in coordination with the Parent Company Market Risk functions. Model validation is also carried out centrally for any novel system or analysis framework whose utilization has a potential impact on the bank's economic results.

In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed. This is the process by which market prices or model inputs derived from market data are regularly verified for accuracy and appropriateness. While daily marking to market and marking to model may be performed by dealers, verification of market prices and model inputs is performed by Market Risk function which is independent from the Trading, at least monthly or more frequently, depending on the nature of the market/trading activity. Where independent pricing sources are not available or pricing sources are too subjective, appropriate prudent measures such as fair valuation adjustments (FVA) are set.

## Information on pricing models used for fair value calculation

Hereby we provide IFRS13 disclosure requirements about accounting portfolios 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 negotiated in active markets are marked to market and consequently positions of these instruments are disclosed in reference to fair value hierarchy under Level 1. Instruments not traded in active markets are marked to model based on interest rate and implied credit spread curves derived from Level 1 instruments. The models maximize the use of observable input and minimize the use of unobservable inputs. With this respect, depending on the credit spread curve applied, bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case comparable credit spread curves are not available (and unobservable credit spreads are used), or in the case of complex bonds. Under fair value accounting, fair value adjustments for liquidity and model risk may compensate for the lack of market observables for the Level 2 and Level 3 positions.
In the global bond Independent Price Verification (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 using the appropriate derivative valuation methodology given the nature of the embedded structure. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

*Asset Backed Securities*
Unicredit Group evaluation of Asset Backed Securities is based on the extension and implementation across all the Group's Legal Entities of the new Independent Price Verification (IPV) process suited to the changed market conditions for Structured Credit Bonds.
The main assumption of the IPV process is that the quality of a price is assessed by the availability of several quotes of independent market players for identical assets.
The process relies in the first instance on *consensus data provider* as reliable collector of market quotes.
As a second step "fallback" prices are assessed by *benchmarking* each security to a pool of similar securities with available market quotes. An alternative approach relies on getting to the evaluation by means of a mathematical pricing model, applicable whenever the information about market participants assumptions concerning the model inputs are reasonably available without undue cost and effort.
The IPV represents the theoretical foundation of the Fair Valuation approach which, when necessary, is supplemented by FVA that is regarded as a reserve against Model Risk and is calculated assuming that one-notch price downgrade might be taken as a measure of uncertainty.

*Derivatives*
Fair value of derivatives not traded in an active market is determined using suitable model valuation techniques. In such cases, where active markets exist for model inputs fair value is determined on the basis of the relevant market prices for such component parts.
Valuation techniques that are based on inputs that are observable are referred to as Level 2 valuations. Valuation 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 an active market (stock exchange) and to Level 3 when quotations are unavailable or when instruments have been suspended indefinitely from negotiations. Equity instruments are classified as Level 2 only in the case of not significantly active market.
For equity instruments measured at cost due to unavailability of a fair value, an impairment is estimated, if the original cost exceeds the recoverable amount significantly or over a prolonged period of time.

*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 Asset Management and investments in funds that are managed by third parties.
Open-end funds are usually assigned to Level 1 when regular NAVs are available calculated from active market prices.
Funds can be also disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues related to position write off.
Real Estate funds and other closed funds are classified to Level 1 when quoted listed prices are available on an active market; when this condition is not met, such funds are classified as Level 3 and they are evaluated through an appropriate credit adjustment of the NAV based on the specific features of each fund.
For funds measured at cost due to unavailability of a fair value, an impairment is recognized, if the original cost exceeds the recoverable amount significantly or over a prolonged period of time.

## Fair Value Adjustments (FVA)

The base fair value assessments have to be adjusted for factors not included in the base net present value that a market participant would consider in order to calculate the derivative instrument's fair value. FVA aim to reduce the risk of using incorrect valuation and align the fair value to the actual exit price of a certain position, while also incorporating future costs. Such adjustments, within the UniCredit Group, include:

- Credit and debit valuation adjustment;
- Funding Valuation Adjustments;
- Model Risk;
- Close-out risk;
- Other adjustments.

*Credit and 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 input:

- 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;
- LGD based on the estimated level of expected recovery should a counterparty default implied by current market default rates and consistent with credit default swaps levels used to infer default probabilities.

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

UniCredit FVA methodology is based on the following input:

- 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

Such adjustment was previously considered among the capital deduction within the AVA prudential requirements. From year end 2015 the fair value adjustment component is reflected into P&L.

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

*Close-out risk*
It measures the implicit costs of closing an (aggregated) trading position. The position could be closed by a sale (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.

*Other adjustments*
Other fair value adjustments, which are not included into the previous categories, could be taken into consideration to align the evaluation to the current exit price also taking into account market liquidity/input to valuation , e.g adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

## Risk measures

*Link between market risk metrics and Balance Sheet items*
The table below shows the linkages between items in the Balance Sheet of the Group's consolidated position that are subject to market risk and the most relevant metrics used for monitoring purpose.

HFT Assets and Liabilities are mainly monitored through VaR and other Basel 2.5 risk metrics. In addition Granular Market Limits for most relevant sensitivities/exposures are defined and regularly monitored.

Other Assets and Liabilities, though managed with different risk metrics (sensitivity to Interest Rates, Credit spread, FX, Equity, etc. further to parameters which are typical of the Banking Book such as NII and Economic Value analysis), are anyway managed and monitored through VaR.

(€ million)

| | ciao | | | |
|---|---|---|---|---|
| **Market Risk Relevant ASSETS** | **Book Value** | **VaR perimeter(1)** | **Other risk measures(2)** | **Sensitivity** |
| Financial assets held for trading | 87,467 | 80,424 | 7,043 (3) | FX EQ CS IR |
| Financial assets at fair value through profit or loss | 28,702 | | 28,702 | FX EQ CS IR |
| Available-for-sale financial assets | 110,180 | | 110,180 | FX CS IR |
| Held-to-maturity investments | 3,963 | | 3,963 | FX CS IR |
| Loans and receivables with banks | 74,692 | | 74,692 | FX EQ CS IR |
| Loans and receivables with customers | 444,607 | | 444,607 | FX CS IR |
| Hedging derivatives | 4,515 | | 4,515 | FX EQ CS IR |
| Investments in associates and joint ventures | 6,159 | | 6,159 | EQ |
| **Total Asset Market Risk Relevant** | **760,284** | **80,424** | **679,860** | |

(€ million)

| | End of 2016 | | | |
|---|---|---|---|---|
| **Market Risk Relevant LIABILITIES** | **Book Value** | **VaR perimeter(1)** | **Other risk measures(2)** | **Sensitivity** |
| Deposits from banks | (103,852) | | (103,852) | FX EQ CS IR |
| Deposits from customers | (452,419) | | (452,419) | FX EQ CS IR |
| Debt securities in issue | (115,436) | | (115,436) | FX EQ CS IR |
| Financial liabilities held for trading | (68,361) | (62,227) | (6,134) (3) | FX EQ CS IR |
| Financial liabilities at fair value through profit or loss | (2,497) | | (2,497) | FX EQ CS IR |
| Hedging derivatives | (4,921) | | (4,921) | FX EQ CS IR |
| **Total Liabilities Market Risk Relevant** | **(747,486)** | **(62,227)** | **(685,258)** | |

(1) Main risk metric is VaR

(2) Main risk metrics are sensitivity to different risk factors

(3) HFT classified as Banking Book (MtM)

*Sensitivity Legend*
FX: sensitivity to foreign exchange rates changes; EQ: sensitivity to Stock or Index Prices changes; IR: sensitivity to Interest Rate changes; CS: sensitivity to credit spreads changes.

Diversified VaR, SVaR and IRC are calculated taking into account the diversification arising from positions taken by different companies within the I-mod perimeter (i.e. for which the use of the internal model for the risk calculation is approved). For the first three quarters of 2016, this perimeter included all Legal Entities having legal residence within the European Union, consolidated into UniCredit BankAustria Group. After their consolidation in UniCredit SpA, the related regulatory approval for using I-mod decayed and they exited the I-mod perimeter.
VaR, SVaR and IRC measures are however in place for these LEs and their values are reported thereafter for informative purpose, together with Undiversified Group VaR, SVaR and IRC, calculated as sum of the values of all LEs (without considering Diversification Benefit), considering the Regulatory perimeter when applicable.

*VaR data*
Shown below are the VaR data for the Trading Book.
First quarter 2016 VaR figures do not reflect the methodological enhancements to the interest rates scenario generator that were eventually approved by ECB during the second quarter. The VaR figures for the last three quarters are based on such enhanced model.

**Risk on trading book**

**Daily VaR on Regulatory Trading Book**

(€ million)

| | | AVERAGE LAST 60 | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| **I-MOD PERIMETER** | **End of 2016** | **DAYS** | **AVERAGE** | **MAX** | **MIN** | **AVERAGE** |
| **Diversified UniCredit Group VaR** | **20.7** | **18.7** | **15.8** | **38.0** | **0.3** | **12.7** |

**Daily VaR on Managerial Trading Book**

(€ million)

| | | AVERAGE LAST 60 | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| **STANDARDIZED APPROACH PERIMETER** | **End of 2016** | **DAYS** | **AVERAGE** | **MAX** | **MIN** | **AVERAGE** |
| Russia | 1.3 | 2.1 | 2.7 | 4.6 | 1.3 | 3.4 |
| Turkey | 0.5 | 0.8 | 0.8 | 1.5 | 0.4 | 1.1 |
| Bosnia Herzegovina | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Serbia | 0.1 | 0.1 | 0.1 | 0.2 | 0.0 | 0.1 |
| Romania | 0.5 | 0.5 | 0.5 | 0.9 | 0.3 | 0.5 |
| Bulgaria | 0.2 | 0.2 | 0.1 | 0.3 | 0.1 | 0.1 |
| Hungary | 0.5 | 0.7 | 0.7 | 1.1 | 0.5 | 0.8 |
| Czech Republic | 0.4 | 0.5 | 0.5 | 0.9 | 0.3 | 0.6 |
| Croatia | 0.1 | 0.1 | 0.1 | 0.7 | 0.1 | 0.1 |
| Slovenia | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Baltics | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Poland | 0.2 | 0.3 | 0.3 | 0.5 | 0.2 | 0.3 |
| Fineco | 0.2 | 0.2 | 0.2 | 0.5 | 0.0 | 0.1 |
| | | | | | | |
| **Undiversified Unicredit Group VaR** | **29.6** | **28.6** | **33.1** | **93.6** | **9.9** | **24.0** |

*SVaR data*
Shown below are the SVaR data for the Trading Book.

First quarter 2016 Stressed VaR figures do not reflect the methodological enhancement to the interest rates scenario generator that were eventually approved by ECB for use during the second quarter. The SVaR figures for the second and third quarters are based on such enhanced model.

**Risk on trading book**

**SVaR on Regulatory Trading Book**

(€ million)

| I-MOD PERIMETER | End of 2016 | AVERAGE LAST 12 WEEKS | 2016 MEDIA | 2016 MASSIMO | 2016 MINIMO | 2015 MEDIA |
|---|---|---|---|---|---|---|
| **Diversified UniCredit Group** | **24.8** | **25.2** | **24.7** | **52.2** | **0.1** | **30.7** |

**SVaR on Managerial Trading Book**

(€ million)

| STANDARDIZED APPROACH PERIMETER | End of 2016 | AVERAGE LAST 12 WEEKS | 2016 MEDIA | 2016 MASSIMO | 2016 MINIMO | 2015 MEDIA |
|---|---|---|---|---|---|---|
| Russia | 5.1 | 5.7 | 7.8 | 13.0 | 4.1 | 7.6 |
| Turkey | 1.1 | 1.6 | 1.8 | 3.4 | 1.0 | 2.5 |
| Bosnia Herzegovina | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Serbia | 0.6 | 0.7 | 0.6 | 1.0 | 0.1 | 0.3 |
| Romania | 5.2 | 4.5 | 3.9 | 5.2 | 2.6 | 3.0 |
| Bulgaria | 0.7 | 0.7 | 0.6 | 0.8 | 0.3 | 0.4 |
| Hungary | 1.0 | 1.2 | 2.2 | 4.5 | 0.7 | 2.6 |
| Czech Republic | 1.7 | 1.2 | 1.2 | 1.7 | 0.7 | 1.3 |
| Croatia | 0.3 | 0.5 | 0.4 | 1.5 | 0.2 | 0.5 |
| Slovenia | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Baltics | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Undiversified UniCredit Group** | **58.1** | **60.5** | **60.6** | **75.8** | **37.8** | **61.7** |

*IRC data*
Shown below are the IRC data for the Trading Book.

On average terms the IRC 2016 is aligned to IRC 2015.
The minimum value has been measured in December, due to UniCredit SpA reduced long position on Republic of Italy.

**Risk on trading book**

**IRC on Regulatory Trading Book**

(€ million)

| I-MOD PERIMETER | End of 2016 | AVERAGE LAST 12 WEEKS | 2016 MEDIA | 2016 MASSIMO | 2016 MINIMO | 2015 MEDIA |
|---|---|---|---|---|---|---|
| **Diversified UniCredit Group** | **343.3** | **373.4** | **389.1** | **481.9** | **180.0** | **395.7** |

**IRC on Managerial Trading Book**

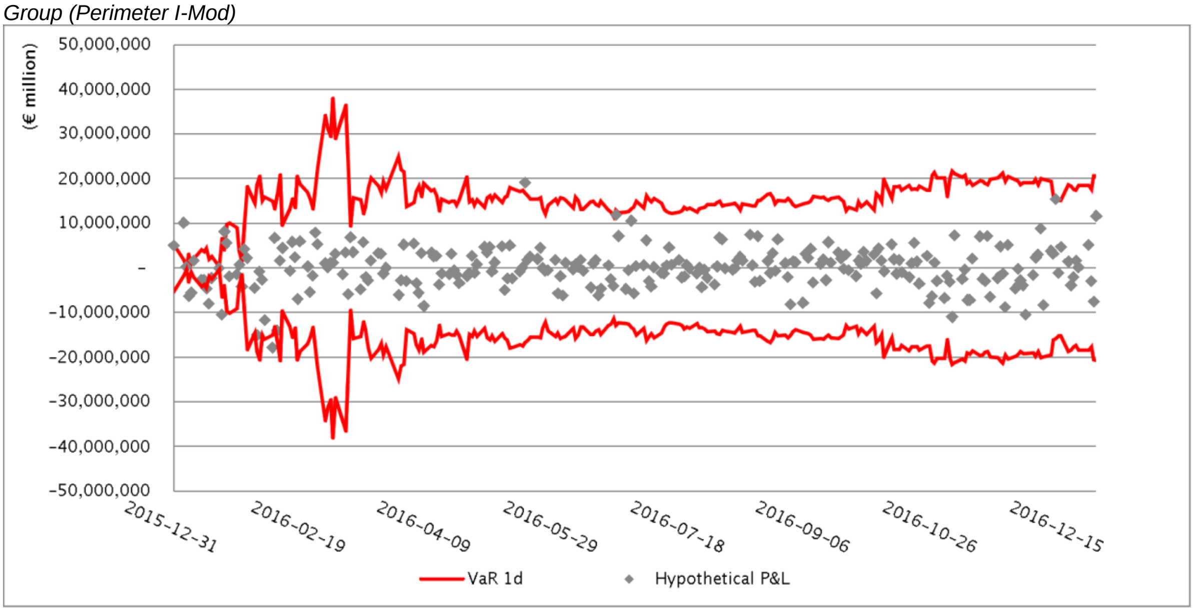
(€ million)

| STANDARDIZED APPROACH PERIMETER | End of 2016 | AVERAGE LAST 12 WEEKS | 2016 MEDIA | 2016 MASSIMO | 2016 MINIMO | 2015 MEDIA |
|---|---|---|---|---|---|---|
| Russia | 3.2 | 6.6 | 5.8 | 17.2 | 2.2 | 7.7 |
| Turkey | 3.2 | 2.9 | 3.1 | 7.0 | 0.5 | 8.1 |
| Serbia | 13.9 | 10.9 | 10.3 | 14.8 | 1.9 | 7.8 |
| Romania | 29.4 | 30.4 | 23.7 | 33.0 | 8.4 | 10.3 |
| Bulgaria | 0.0 | 0.0 | 1.6 | 5.7 | 0.0 | 4.6 |
| Hungary | 1.3 | 7.1 | 26.7 | 51.1 | 1.3 | 23.3 |
| Czech Republic | 2.1 | 1.9 | 4.4 | 17.3 | 1.4 | 7.2 |
| Croatia | 0.3 | 0.3 | 2.2 | 9.2 | 0.3 | 1.5 |
| **Undiversified UniCredit Group** | **487.0** | **507.6** | **546.5** | **630.5** | **329.5** | **526.7** |

*VaR back-testing*
The following graph analyze the 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).

The negative overdrafts occurred in December 2015 and in the first quarter 2016 were all caused by the fact that scenario generator was not yet embedding the enhancements that were later approved by the ECB only in Q2 (negative rates flooring). The VaR levels for the last three quarters shown in the graph above are based on such enhanced model.

*Group (Perimeter I-Mod)*




*Managerial VaR*
Shown below are the Managerial Diversified Trading Book VaR at the end of 2016 at Group, Regional Center and Legal Entity levels and the Undiversified Trading Book VaR at Group level, calculated as sum of the values of all LEs (without considering Diversification Benefit). Difference with Regulatory Trading Book has been described above.

The Managerial Trading Book VaR at Group level reduced sharply in the last quarter due to the exit of Ukraine subsidiary from Group perimeter.

**Daily VaR on Managerial Trading Book** (€ million)

| TRADING BOOK | End of 2016 |
|---|---|
| **Diversified Unicredit Group as per internal model** | **10.67** |
| RC Germany | 8.97 |
| RC Italy | 5.55 |
| RC Austria | 0.19 |
| RC Poland | 0.18 |
| RC CEE | 1.61 |
| **Undiversified Unicredit Group** | **18.57** |

*CVA data*
Shown below are the CVA charge data values for the Trading Book for the Group (as sum of the individual Legal Entities charges since 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 standardized approach (SA) is used.

**Risk on trading book**

**CVA trading book**

(€ million)

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q4 |
| **CVA** | **382.3** | **336.7** | **305.4** | **273.2** | **390.5** |
| **CVA VaR** | **48.6** | **51.2** | **54.3** | **50.9** | **44.8** |
| **CVA SVaR** | **221.5** | **204.1** | **189.8** | **171.5** | **231.6** |
| **CVA SA** | **112.2** | **81.4** | **61.3** | **50.9** | **114.1** |

The reduction in CVA charge in the last quarter 2016 is mostly driven by the UniCredit Bank AG charge and can be evenly attributed to business dynamics and some refinements to the inputs of the SA calculation.

*RWA*
Shown below is a summary table about Market Risk RWA under I-mod, as prescribed by EBA's final report Guidelines on Disclosure Requirements Under Part Eight of Regulation (EU) 575/2013.

**EU MR2-A - Market risk under the internal model approach (**

(€ million)

| | RWA | Capital requirements |
|---|---|---|
| **VaR (higher of values a and b)** | **2,988** | **239** |
| *a) Previous day's VaR* | | 65 |
| *b) Average of the daily VaR during the preceding 60 business days x multiplication factor* | | 239 |
| **SVaR (higher of values a and b)** | **4,055** | **324** |
| *a) Latest SvaR* | | 80 |
| *b) Average of the SVaR during the preceding 60 business days x multiplication factor* | | 324 |
| **IRC (higher of values a and b)** | **4,728** | **378** |
| *a) most recent IRC value* | | 343 |
| *b) average of the IRC number over the preceding 12 weeks* | | 378 |
| **Comprehensive risk measure (higher of values a, b and c)** | **-** | **-** |
| *a) Most recent risk number for the correlation trading portfolio* | | - |
| *b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks* | | - |
| *c) 8% of the own funds requirement in the SA on the most recent risk number for the correlation trading portfolio* | | - |
| **Other** | - | - |
| **Total** | **11,771** | **942** |

The table below provides a breakdown of VaR figure according to the different market risks (debt, equity, FX, commodities) and its evolution during the year, in the form of template C24 of COREP.

Consistently with table MR2-A, the table refers to 10-days VaR measure (i.e. referred to a 10-days time horizon).

**Risk on trading book by instruments classes**
**10-days VaR on Regulatory Trading Book**

(€ million)

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q4 |
| Traded Debt Instruments | 32.7 | 35.2 | 34.0 | 36.4 | 17.5 |
| TDI - General Risk | 17.8 | 24.6 | 24.0 | 37.3 | 13.3 |
| TDI - Specific Risk | 23.2 | 24.8 | 20.9 | 15.4 | 16.3 |
| Equities | 13.1 | 11.2 | 10.9 | 9.8 | 9.3 |
| Equities - General Risk | - | - | - | - | - |
| Equities - Specific Risk | 13.1 | 11.2 | 10.9 | 9.8 | 9.3 |
| Foreign Exchange Risk | 19.2 | 20.8 | 26.1 | 10.5 | 26.6 |
| Commodities Risk | 1.9 | 2.2 | 1.4 | 1.7 | 2.6 |
| **Total Amount For General Risk** | 17.8 | 24.6 | 24.0 | 37.3 | 13.3 |
| **Total Amount For Specific Risk** | 34.5 | 33.3 | 27.8 | 21.2 | 21.4 |

General Risk increased during the year, mainly in Q4, driven by increased exposure on EUR and GBP interest rates.

# Interest Rate Risk – Regulatory trading book

## General information

Interest rate risk arises from financial positions taken by Group specialist centers holding assigned market risk limits within certain levels of discretion. Apart from use of 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 base of managerial responsibilities and not purely on regulatory criteria.

## 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 analyze exposure, please refer also to introduction on internal models.
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. Results are reported to top management on a monthly basis. In addition to the sensitivity of financial instruments to changes in the underlying risk factor, it also calculated sensitivity to the volatility of interest rates assuming a positive shift of 50% or negative change of 30% in volatility curves or matrixes.

## Interest-Rate 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 analyzed using parallel shifts of ±1bp/±10bps and ±100bps.
For each 1bp shift, sensitivity is calculated for a series of time-buckets.
Sensitivity for changes in the steepness of the rate curve is analyzed 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.
Currently, clockwise and counter-clockwise turning use the following increases/decreases:

- +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 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 2 YEARS | +1BP 2 YEARS TO 5 YEARS | +1BP 5 YEARS TO 10 YEARS | +1BP OVER 10 YEARS | +1 BP TOTAL | -10 BP | +10 BP | +100 BP | +100 BP | CW | CCW |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **0.0** | **-0.1** | **0.2** | **0.2** | **-0.3** | **-0.3** | **-0.5** | **-0.8** | **8.7** | **-10.6** | **111.0** | **-98.7** | **11.5** | **-12.9** |
| of which: EUR | 0.0 | -0.2 | 0.0 | 0.2 | 0.0 | -0.5 | -0.7 | **-1.1** | 12.5 | -14.4 | 153.5 | -133.9 | 18.5 | -19.9 |
| USD | 0.0 | 0.0 | 0.1 | 0.1 | -0.2 | 0.3 | -0.3 | **0.1** | -1.1 | 1.2 | -9.9 | 13.2 | 8.4 | -7.1 |
| GBP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | **0.4** | -4.3 | 4.3 | -48.6 | 39.4 | -16.2 | 14.8 |
| CHF | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | **-0.1** | 1.1 | -1.1 | 10.8 | -11.1 | -0.2 | 0.1 |
| JPY | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | **0.0** | 0.4 | -0.4 | 4.1 | -4.2 | 0.4 | -0.4 |

(€ million)

| | -30% | +30% |
|---|---|---|
| **Interest Rates** | **4.88** | **-4.80** |
| EUR | 5.89 | -6.10 |
| USD | -1.06 | 1.35 |

# Price Risk – Regulatory trading book

### General information

As described above, price risk relating to equities, commodities, investment funds and related derivative products included in the trading book, originates from positions taken by Group specialist centers 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.

### 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 analyze exposure, please refer to introduction on internal models.

### Price Risk 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 | 49.1 | - | - | - | 0.5 | - | - |
| USA | -26.7 | - | - | - | -0.3 | - | - |
| Japan | 7.3 | - | - | - | 0.1 | - | - |
| Asia ex-Japan | 28.6 | - | - | - | 0.3 | - | - |
| Latin America | 0.0 | - | - | - | 0.0 | - | - |
| Other | 1.7 | - | - | - | 0.0 | - | - |
| **Total** | **60.1** | **-15.3** | **1.0** | **0.2** | **0.6** | **-19.2** | **-62.7** |
| **Commodity** | **4.2** | **-1.7** | **-0.7** | **-0.1** | **0.0** | **1.3** | **3.3** |

(€ million)

| | -30% | 30% |
|---|---|---|
| **Equities** | **-23.68** | **10.01** |

# Price Risk – Banking Book

### General Aspects, Price Risk Management Processes And Measurement Methods

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. The assessment of the whole banking book also takes account of this type of risk.

With reference to the information about the shareholding in the Bank of Italy and the units of Atlante Fund and Atlante Fund II refer to Notes to the Consolidated Accounts of Consolidate Report and Accounts as at December 31, 2016, Part B, Section 4 “Available for sale financial assets”.

# Exchange Rate Risk - Regulatory trading book

### General Information, Risk Management Processes and Measurement Methods

As described above, risk relating to exchange rates and related derivative products included in the trading book, originates from positions taken by Group specialist centers 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. Volatility trading strategies are implemented using options.
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer to introduction on internal models.

### Exchange-Rate Sensitivity

Exchange-Rate Sensitivity assesses the economic impact of the appreciation or depreciation by 1%, 5% and 10% of each currency against all the others. Exposure to the various currencies is expressed as the “Delta cash equivalent” in euros: this is the euro equivalent of the currency amount which would expose the bank to the same exchange-rate risk arising in its actual portfolio.

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

The tables below show trading book sensitivities.

(€ million)

| EXCHANGE RATES | DELTA CASH-EQUIVALENT | -10% | -5% | -1% | 1% | 5% | 10% |
|---|---|---|---|---|---|---|---|
| USD | -48.6 | 9.8 | 2.6 | 0.5 | -0.5 | -5.0 | -10.5 |
| GBP | -241.9 | 18.1 | 7.6 | 2.4 | -2.4 | -13.7 | -29.6 |
| CHF | -6.6 | 5.2 | 1.3 | 0.1 | -0.1 | -1.1 | -2.0 |
| JPY | 26.1 | -5.3 | -2.1 | -0.3 | 0.3 | -0.4 | -1.2 |

(€ million)

| | -30% | +30% |
|---|---|---|
| **Exchange Rates** | **4.57** | **-4.33** |

# Exchange Rate Risk - Banking Book

### General Aspects, Exchange Rate 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 centers holding the Group's market risk within the limits assigned.
In the latter case, exchange risk originates from currency trading activities performed through the negotiation of the various market instruments and it is constantly monitored and measured by using internal models developed by group companies. These models are, in addition, used to calculate capital requirements on market risks due to the exposure to such risk.

### Hedging Exchange Rate Risk

The Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone. The hedging strategies takes into account market circumstances.

The management policy regarding currency risk related to the early repayment option on AT1 capital instruments denominated in a foreign currency already recognized as items of shareholders' equity (anyway subject to prior authorization by the regulator) provides for the maintenance of a long position in foreign currency.

# Credit Spread Risk - Regulatory trading book

## General Information

As described above, risk relating to credit spreads and related credit derivative products included in trading book originates from positions taken by Group specialist centers 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.

## 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 analyze exposure, please refer to introduction on internal models.

## Credit Spread Sensitivity

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps in the credit spread curves.
These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows trading book sensitivities.

(€ million)

| | +1BP LESS THAN 1 MONTH | +1BP 1 MONTH TO 6 MONTHS | +1BP 6 MONTHS TO 1 YEAR | +1BP 1 YEAR TO 2 YEARS | +1BP 2 YEARS TO 5 YEARS | +1BP 5 YEARS TO 10 YEARS | +1BP OVER 10 YEARS | +1 BP TOTAL | +10BP | +100BP |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **0.0** | **0.0** | **-0.1** | **-0.1** | **0.1** | **-0.8** | **-0.1** | **-1.0** | **-11.1** | **-106.1** |
| **Rating** | | | | | | | | | | |
| AAA | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.2 | 2.2 | 22.6 |
| AA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.3 | -0.4 | -4.1 | -38.8 |
| A | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | -0.2 | -2.4 | -23.4 |
| BBB | 0.0 | 0.0 | -0.1 | -0.1 | 0.1 | -0.7 | 0.2 | -0.5 | -6.0 | -58.9 |
| BB | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | -4.4 |
| B | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 |
| CCC and NR | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -2.8 |
| **Sector** | | | | | | | | | | |
| **Sovereigns & Related** | 0.0 | 0.0 | -0.1 | 0.0 | 0.3 | -0.6 | 0.0 | -0.4 | -4.0 | -36.3 |
| **ABS and MBS** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -2.6 |
| **Financial Services** | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -0.2 | 0.0 | -0.4 | -5.2 | -50.5 |
| **All Corporates** | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | -0.2 | -1.7 | -16.7 |
| *Basic Materials* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -2.7 |
| *Communications* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -2.4 |
| *Consumer Cyclical* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -2.4 |
| *Consumer Non cyclical* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | -3.9 |
| *Energy* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -1.0 |
| *Technology* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| *Industrial* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -1.5 |
| *Utilities* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -2.9 |
| *All other Corporates* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 |

# Stress testing

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).

What follows contains the description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors. For the description of simple scenarios, please refer to the previous paragraphs.

As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading Book on a monthly basis and reported to top management.

**Widespread Contagion**

In this scenario, we assume an intensification of political risks across the EU, with more extensive policy influence of protest parties in France and Germany ahead of next year's elections, and renewed political issues in Greece – where debt relief talks remain elusive – and Portugal. In Italy the proposed constitutional amendments are rejected in the referendum and this leads to higher uncertainty, which could trigger a deterioration in financial conditions, a loss of confidence of corporate and households and a worsening in economic growth.

The downturn in the UK, which is already suffering from a surge in uncertainty following the UK vote to leave the EU, would be exacerbated by an intensification of political risks in the rest of the EU. Uncertainty will weigh on UK business investment, trade and capital flows, with knock-on effects on consumer confidence. It could also prolong negotiations over the UK's exit status from the EU.

Poor economic performance could allow populist parties to further increase their influence, calling into question the European integration project.

France and, to a lesser extent, Germany, suffer from a populist drift that negatively influences policies of current governments, and meaningfully raise uncertainty in the run-up to the 2017 general elections.

Greece and Portugal see an intensification of political instability which, however, does not ultimately lead to conditions that force the ECB to stop its bank liquidity support and, in the case of Portugal, to discontinue the QE program.

In GDP space, Italy and Spain are most impacted. France follows suit, due to the rising threat of the FN, while Germany is the least affected. At the eurozone level, GDP growth is seen slowing to 0.2% in 2016 and contracting 0.6% in 2017, with a cumulative loss vs. baseline of 3pp.

Inflation in the eurozone would remain very low in 2016 and 2017, reflecting a wider output gap and lower oil prices, while the weaker euro is expected to partially offset some of these drags. The unemployment rate would resume rising, putting further downward pressure on nominal wage growth from the current weak levels.

The ECB would cut the deposit rate – now de facto the true policy rate – by 10bp, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears very likely at a time of meaningful deviation from the price stability target.

Brexit, along with an escalation of political risks in the EU, would significantly weigh on business investment and consumer confidence in the UK. Economic activity slows and outright contracts in 2017. The opening up of a sizable output gap and the fall in sterling import prices (with lower USD oil prices more than offsetting sterling depreciation) means inflation stays subdued for longer. The rise in unemployment and the fall in inflation moderates wage growth. Capital outflows force a rapid adjustment of the UK's large current account deficit. The response of the monetary and fiscal authorities is to ease policy, with the BoE cutting Bank Rate to zero in an attempt to offset a tightening of financial conditions.

The US economy should be less affected than EU. The reason is that most of the growth in the US comes from domestic demand, notably consumer spending, therefore direct and indirect trade linkages with Europe are not going to be a huge drag, even when accounting for the spillover on US investment activity. The main transmission channel of the shock is lower stock prices, which directly affect US household finances and balance sheets. Although not particularly severe for the US economy, the shock will dissuade the Fed from any further rate hikes over the coming two years.

**China hard landing**

In this risk scenario, we assume a significant deceleration that pushes Chinese growth from 7% to 3% by the end of 2017, driven by a weakening of domestic demand, especially fixed investment. The main transmission channels are trade and, especially, financial markets – the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia.

The drag on eurozone GDP via the trade channel is supposed to account for a relatively small share of the total growth shock, as most of the hit comes from the financial and confidence channels. In general, we assume the overall drag to reflect the weight of China as an export destination, with China accounting for 3-4% of total eurozone exports (i.e. intra + extra EMU exports). Among the main euro area countries, Germany has by far the largest exposure to China (about 6% of total exports), followed by France (about 4%), Italy (about 2.5%) and Spain (less than 2.0%). As a consequence, Germany is expected to be the most damaged country in this risk scenario, while Spain is likely to be the least impacted. Austria has a small direct trade exposure to China, but very large exposure to Germany. In our estimates, this implies a growth shock that exceeds that for the eurozone.

In this risk scenario, eurozone growth is assumed to slide in negative territory already in 2016 (-0.3%), with the pace of contraction seen deepening further in 2017 (-1.1%). The cumulative GDP loss vs. baseline would be 4pp. Germany would experience a GDP contraction of 1.1% in 2016 and 2.6% in 2017. The negative impact of trade and financial shocks on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labor income), while in the other eurozone countries, where room for maneuver on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabilizers, like an increase in unemployment benefits. Lower oil prices work as automatic stabilizer, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the eurozone will likely be lower compared to “widespread contagion” reflecting a larger decline in oil prices and increasing economic slack.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 20bp, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shocks, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears very likely at a time of meaningful deviation from the price stability target.

With regard to the UK economy, the trade exposure to China is small, but the adverse impact via the shock to global confidence and capital flows is much higher. The UK economy enters a quite deep recession in 2017. The steep fall in oil prices and other global commodity prices results in a lower path for UK inflation. Unemployment rises as the economy slows. The BoE cuts the Bank Rate to zero in response and increases its stock of asset purchases.

The US economy should be less affected than the eurozone, due to its stronger reliance on domestic demand. However, in this scenario of a more global shock, weaker global growth is expected to materially slow the US recovery (GDP at 0.6% in 2016 and 0.5% in 2017) through weaker exports and a cutback in investment activity, which eventually will weigh on the labor market and thus on consumer spending as well. The Federal Reserve will be very sensitive to the impacts of this adverse shock and is expected to bring the target rate back down to the 0%-0.25% range.

**Interest Rate Shock**
In this risk scenario, we assume that interest rates (IR) in the eurozone move sharply higher, by 250bp at the short end (refi rate) and by 300bp at the long end (10Y). Importantly, this IR increase is assumed to be totally exogenous, i.e. not driven by macro fundamentals like faster growth or inflation, therefore this scenario should mainly be seen as a purely technical exercise. We also assume that the IR increase is totally passed on to households and firms, meaning that there is no ECB facility that is capable to stop the full pass-through to the real economy. In the second year of the forecast horizon, IR start responding endogenously to macro developments and we assume that the ECB eases monetary policy to counter the material deterioration in the growth and inflation outlook triggered by the IR jump. We assume that half of the refi rate increase is reversed in 2017 – the refi rate falls to 1.25% at the end of 2017.

The sharp rise in IR along with its pass-through is highly damaging for growth in the eurozone (GDP: -0.7% in 2016, -1.7% in 2017), with a 5pp cumulative loss vs. baseline. Within the eurozone, Italy and Spain are hit comparatively more: the former because of still weak profitability of the corporate sector and high public debt, the latter due to the still high leverage of the private sector. The growth damage is smaller in Germany, where leverage (both private and public) is relatively low. The recession causes a clear deterioration of the labor market, with the eurozone unemployment rate seen reaching an average of 12% in 2017.

The eurozone witnesses outright negative growth in consumer prices in both years, due to the mix of falling oil prices and widening output gap.

The substantial tightening of financial conditions in the euro area is transmitted to the UK economy via the significant trade and capital flows between the two economic areas. The UK enters a quite deep recession in 2017, exacerbated by high household and public debt. Inflation stays close to zero through 2017 as a result of the fall in oil prices and growing spare capacity. The external nature of the shock hits exports. Nonetheless, the current account deficit improves slightly faster than in the baseline scenario as capital markets force a more pronounced adjustment. The BoE cuts the Bank Rate to zero and increases its stock of asset purchases.

The US economy should remain relatively less affected than the eurozone also in this scenario. As consumer spending is expected to remain the main growth driver, the main transmission channels of this shock are higher interest rates and lower stock prices, which directly affect household finances and balance sheets. In particular, this shock with its sizeable negative impact on the stock market should have the largest effect on economic activity in the US, with GDP recording the largest cumulative deviation from the baseline. The Federal Reserve is expected to lower the target rate back to the 0%-0.25% range. In addition, quantitative easing is expected to remain the preferred policy option of the Fed at the zero lower bound and we see it as likely that the Fed would initiate QE4 to lower yields and stimulate the stock market.

**Stress Test on Trading Book**

(€ million)

| | End of 2016 | | |
|---|---|---|---|
| | WIDESPREAD CONTAGION | CHINA HARD LANDING | IR SHOCK |
| **UniCredit Group Total** | **-157** | **-221** | **-213** |
| RC Germany | -85 | -156 | -177 |
| RC Italy | -81 | -81 | -67 |
| RC Austria | -1 | -1 | -2 |
| RC Poland | 2 | 6 | 5 |
| RC CEE | 8 | 11 | 28 |

The Widespread Contagion is a recurrent stress test scenario which is kept updated to market and macroeconomic dynamics every six months. The China hard landing and the Interest Rate Shock have been introduced at the end of 2015 to deep dive the magnitude of the contagion effects stemming from an unexpected China slowdown and from exogenously driven increase of interest rates respectively.

Most of conditional losses in Trading Book are in UniCredit SpA and UCB AG Group, mainly Rates business line in CIB perimeter.

Conditional profits in RC CEE are due to FX positions.

# Market Risks: equity exposures not included in the trading book

## Exposure Differentiation by Objective

Equity instruments included in the Group’s banking book have several objectives:

- Institutional;
- strategic, usually entities subject to significant influence and support in the performance and development of banking business (e.g. interests in financial or insurance companies);
- financial investment including in equity instruments, units in investment funds (UCITS) and private equity;
- others e.g. investments resulting from loan restructurings.

## Description of accounting techniques and valuation methodologies applied

**Investments in associates and joint ventures**
Investments in associates are recognized using the equity method or are measured at cost.

Investments recognized using the equity method include any goodwill (less any impairment loss) paid for their acquisition. The interest in the comprehensive income from the investee is recognized:

- in the Income Statement under item “240. Profit (loss) of investments”, if it relates to profit/loss after the date of acquisition;
- under other comprehensive income, if it relates to changes in the company's revaluation reserves.

Any dividend distribution is recognized as a reduction of the carrying amount of the investment. If the interest in the investee company's losses is equal to or more than its carrying amount, no further losses are recognized, unless specific contractual obligations have been assumed towards the investee or payments have been made to it.

Unrealized profits on transactions between the Group and its investees are eliminated to the extent of the Group’s interest in the gains of the investee. Unrealized losses are also eliminated, unless the transactions show evidence of impairment of the assets exchanged.

**Available-for-Sale Financial Assets (AfS)**
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss. These assets are held for an indefinite period of time and can meet the need to ensure liquidity and face changes in interest rates, exchange rates and prices.

On initial recognition, at settlement date, an AfS financial asset is measured at fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.

In subsequent periods AfS assets are measured at fair value, the interest on interest-bearing instruments being recognized at amortized cost in the income statement. Gains or losses arising out of changes in fair value are recognized in equity item "140. Revaluation reserves" - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognized under item "130. Net losses/recoveries on impairment b) available for sale financial assets" and item "80. Gains and losses on financial assets and liabilities held for trading" respectively - until the financial asset is sold, at which time cumulative gains and losses presented in Revaluation reserves are recognized in profit or loss in item "100. Gains (losses) on disposal or repurchase of: b) available for sale financial assets".

The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "140. Revaluation reserves".

Equity instruments (shares and other non-monetary items) not listed in an active market and whose fair value cannot be reliably determined due to lack or unreliability of information for the fair value measurement are valued at cost, equivalent to the last fair value reliably measured.

If there is objective evidence of an impairment loss on an available-for-sale financial asset, the cumulative loss that had been recognized directly in equity item "140. Revaluation reserves", is removed from equity and recognized in profit or loss under item "130. Net losses/recoveries on impairment b) available for sale financial assets".

Lasting loss of value of equity instruments is assessed on the basis of indicators such as fair value below cost and adverse changes in the environment in which the company operates, as well as the issuer's debt service difficulties.

The loss of value is normally considered lasting if fair value falls to less than 50% of cost or lasts for more than 18 months.
If however the fall in the fair value of the instrument is over 20% but less than or equal to 50% or continues for no less than 9 but no longer than 18 months, UniCredit reviews further income and market indicators.
If the results of the review are such as to prejudice the recovery of the amount originally invested, a lasting loss of value is recognized.
The amount taken to profit and loss is the difference between the carrying amount (value of initial recognition less any impairment loss already recognized in profit or loss) and current fair value.

Where instruments are valued at cost, the amount of the loss is determined as the difference between their carrying value and the present value of estimated future cash flows, discounted at the current market yield on similar financial assets (the recoverable amount).

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss, but recognized at equity.

**Financial Instruments at Fair Value through Profit or Loss (FIaFV)**
Equity instruments included in the FIaFV portfolio, as well as HfT financial assets, are designated at fair value, with gains and losses, whether realized or not, recognized in the Income Statement. Specifically, with respect to the FIaFV portfolio, such gains and losses are recorded under item "110. Gains and losses on financial assets/liabilities at fair value through profit or loss".
Investments in equity instruments for which no quoted prices in active markets are available and whose fair value cannot be reliably determined cannot be included in this portfolio.

(€' 000)

| Exposure type/values | Amounts as at 06.30.2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On-balance sheet exposure | | Fair Value | | Market value | Gains/losses on disposal and impairment | | Unearned gains/losses (booked in balance sheet) | |
| | Level 1 | Level 2/3 | Level 1 | Level 2/3 | Level 1 | Gains | Losses | Gains | Losses |
| A. Investments | 2.132.836 | 1.998.523 | 1.655.938 | | 1.655.938 | 402.976 | (293.116) | | |
| B. Available-for sale financial assets | 261.579 | 3.126.373 | 261.579 | 2.826.951 | 261.579 | 362.742 | (688.547) | 71.447 | (18.426) |
| C. Financial assets at fair value through profit or loss | 16.318 | 158.803 | 16.318 | 158.803 | 16.318 | 2.798 | (66.281) | | |

(€' 000)

| Exposure type/values | Amounts as at 12.31.2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | On-balance sheet exposure | | Fair Value | | Market value | Gains/losses on disposal and impairment | | Unearned gains/losses (booked in balance sheet) | |
| | Level 1 | Level 2/3 | Level 1 | Level 2/3 | Level 1 | Gains | Losses | Gains | Losses |
| A. Investments | 2.084.929 | 2.584.528 | 1.664.789 | | 1.664.789 | 525.800 | (233.104) | | |
| B. Available-for sale financial assets | 349.625 | 2.829.049 | 349.625 | 2.529.163 | 349.625 | 45.796 | (64.571) | 237.657 | (72.327) |
| C. Financial assets at fair value through profit or loss | 116.549 | 300.508 | 116.549 | 300.508 | 116.549 | 21.131 | (9.588) | | |

Available-for-sale financial assets include €299 and €300 million related to assets measured at cost, as at 12.31.2016 and as at 12.31.2015 respectively.
Level 1 corresponds to the market value.

Disclosures relating to the exposures for equity instruments of the banking portfolio, with reference to the IRB advanced approach, is reported in the “Credit and Counterparty risk” tables, in the “Capital requirements” chapter that show the types, nature and weighted amounts of:

- private equity instruments sufficiently diversified;
- exchange–traded exposures;
- other equity instruments.

# Market Risks: exposures to interest rate risk on positions not included in the trading book

## General aspects, interest rate risk management processes and measurement methods

Interest rate risk consists of changes in interest rates that are reflected in:

- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group measures and monitors this risk within the framework of a Banking Book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Group's economic value.
Interest rate risk has an impact on all owned positions resulting from business operations and strategic investment decisions (Banking Book).
The main sources of interest rate risk can be classified as follows:

- Repricing risk: risk resulting from differences in interest reset date of assets and liabilities. Mismatches in interest reset dates lead to yield curve risk. This refers to the risk resulting from exposure of the bank's positions to changes in the slope and shape of the yield curve.
- Basis risk resulting from the imperfect correlation in lending and borrowing interest rate changes for different instruments;
- Optional risk: risk resulting from implicit or explicit options in the Group's Banking Book positions. Embedded options in the bank's mortgage portfolio are a relevant example.

Limits and threshold are defined in terms Sensitivity for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of the Company's business.

Each of the Group's banks or companies assumes responsibility for managing exposure to interest rate risk within its specified limits. At consolidated level, the Group Asset Liability Management Unit and the functions of Group Risk Management are in charge of interest rate risk measurement.
Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shocks for a rate rise and a rate fall scenario are an instantaneous and parallel shock of respectively +/- 100 bps Additional scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift.

The interest rate risk is monitored in terms of Economic value sensitivity for an instantaneous and parallel shock of +1 basis point value of the interest rate term structure. On a monthly basis the Economic Value sensitivity for interest rate term structure shock of +200 basis point value and Net Interest Income Sensitivity are measured. The function responsible for interest rate risk management verifies on a daily basis the limit usage of the interest rate risk of relevant positions.

The Treasury hedges interest rate risk exposure from commercial transactions. The Treasury interest rate risk exposure is monitored through a set of limits and threshold levels. The same holds for the overall interest rate exposure of the balance sheet, taking into account also the strategic investment positions of the bank, e.g. transactions not directly related to hedging the commercial business.

The sensitivity of net interest income (calculated on the basis of the above assumptions and assuming a 100bps rise in interest rates) is € 738 million at the end of December 2016. This value highlights the effect of rate changes on the banking book, without considering any future changes in the asset and liabilities composition.

The following table reflects the effect of an unexpected positive interest rate shock, broken down by the main currencies.
As of the end of December 2016, the sensitivity of the economic value of the balance sheet to an instantaneous and parallel rate change of +200 bps is € -2,656 million.

(€ million)

| Banking Book Interest Rate Risk | |
|---|---|
| **Currency** | **+200 bps** |
| Euro | -2,188 |
| United States Dollars | 103 |
| Poland Zlotych | -10 |
| United Kingdom Pounds | 6 |
| Switzerland Francs | 16 |
| Japan Yen | -4 |
| Turkey New Lira | -229 |
| Russian Ruble | -86 |
| Others | -263 |
| **TOT** | **-2,656** |

The above measures take into account modeled maturity assumptions for balance sheet items with an expected profile different from the contractual one, for example mortgages, or with no specific time bucketing, such as sight items.
In case of a rate change of +200bps, the reduction in the economic value, calculated according to managerial methodology, is within the threshold limits admitted by the Supervisory regulations in force (20% of the regulatory capital).

| Banking Book Interest Rate Risk | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Value [€mln]** | **+1bp less than 1 months** | **+1bp 1 month to 6 months** | **+1bp 6 months to 1 year** | **+1bp 1 year to 3 years** | **+1bp 3 years to 5 years** | **+1bp 5 years to 10 years** | **+1bp 10 years to 20 years** | **+1bp over 20 years** | **TOT** |
| Euro | 0.1 | -0.2 | -0.3 | -1.6 | -1.8 | -4.4 | -0.5 | 0.4 | -8.1 |
| United States Dollars | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | -0.1 | -0.2 | -0.1 | -0.3 |
| Poland Zlotych | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| United Kingdom Pounds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Switzerland Francs | 0.0 | 0.1 | 0.0 | 0.0 | -0.1 | 0.1 | 0.0 | 0.0 | 0.1 |
| Japan Yen | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Turkey New Lira | 0.0 | -0.1 | -0.1 | -0.2 | -0.1 | -0.7 | 0.0 | 0.0 | -1.2 |
| Russian Ruble | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.2 | 0.0 | 0.0 | -0.5 |
| Others | 0.0 | 0.0 | -0.1 | -0.3 | -0.3 | -0.5 | 0.0 | 0.0 | -1.3 |
| **TOT** | **0.1** | **-0.1** | **-0.6** | **-2.1** | **-2.3** | **-5.9** | **-0.7** | **0.4** | **-11.3** |

The table above lists the economic value sensitivity for a parallel shift of +1 basis point of interest-rate curves. This sensitivity is calculated for a series of time-buckets and currencies.
The main exposure remains to the euro curves, that explains over 70% of the total exposure. The highest contribution (negative in sign) is concentrated in the bucket 3Y – 10Y, mainly related to the Group free equity replicating strategy.

# Securitization exposures

The Group acts as originator and sponsor of securitizations as well as investor, as defined by Basel 3 and transposed by Bank of Italy's Circular 285 "Supervisory Instructions for Banks" of December 17, 2013, as amended.

**The Group as originator**
The Group's origination consists of the sale of on-balance sheet receivables portfolios to vehicles set up as securitization companies under Law 130/99 or similar non-Italian legislation.

The buyer finances the purchase of the receivables portfolios by issuing bonds of varying seniority and transfers its issue proceeds to the Group.

The yield and maturity of the bonds issued by the buyer therefore mainly depend on the cash flow expected from the assets being sold.

As a further form of security to bondholders, these transactions may include special types of credit enhancement, e.g. subordinated loans, financial guarantees, standby letters of credit or over-collateralization.

The Group's objectives when carrying out these transactions are usually the following:

- to originate securities that can be used to secure repos with Bank of Italy and the ECB (counterbalancing capacity);
- to reduce funding costs given the opportunity to issue higher-rated bonds with lower interest rates than ordinary senior bonds;
- to free up economic and regulatory capital by carrying out transactions that reduce capital requirements under current rules by reducing credit risk of the underlying portfolio.

The Group carries out both traditional securitizations, whereby the receivables portfolio is sold to the SPV, and synthetic securitizations which use financial guarantees to purchase protection over all or part of the underlying risk of the portfolio. The latter, on the contrary to traditional securitizations, is not sold to vehicles but remains also legally within the Group.

Use of this type of transaction is limited. The amount of loans securitized[26], net of transactions in which the Group has purchased all liabilities issued by the vehicles (so-called self-securitizations), accounts for 3.99% of the Group's total loan portfolio as at December 31, 2016. Self-securitizations account for 3.02% of the loan portfolio.

A Covered Bond (*OBG – Obb!igazioni Bancarie Garantite)* Program was launched in 2008 under the provisions of Italian Law 130/99. The underlying residential mortgage loans were transferred to an SPE set up for this purpose and included in the banking group.

It should also be noted that, in order to create counterbalancing capacity, at the end of January 2012 UniCredit S.p.A. initiated a new Covered Bonds (*OBG* or *Obbligazioni Bancarie Garantite*) program ("New OBG Program"), without specific ratings and having residential mortgage loans and commercial mortgage loans as underlyings. The contractual and supervisory structure and the counterparties of this program are modeled on the pre-existing program, with the exception of references to Ratings Agencies and the use of a new Special Purpose Vehicle, UniCredit OBG S.r.l.. During 2014 the New OBG Programme was restructured after which the method of reimbursing OBGs was converted from Soft-bullet to Conditional Pass-through and a rating of AA+ was assigned by the rating agency Fitch.

At December 31, 2016 the series of covered bonds issued under the two programs totaled 28 and were worth €25,156 million, of which €11,450 million was repurchased by UniCredit S.p.A.
At December 31, 2016 similar covered bonds under German, Austrian (*Pfandbriefe*) and Russian law amounted to €25,098,575 thousand, of which € 17,764,441 thousand were backed by mortgage loans and €7,334,134 thousand by loans to the public sector.

[26] We refer to loans sold, also synthetically, but not derecognized from the balance sheet.

**Accounting Policies – Derecognition**
According to IAS 39, derecognition is the removal of a previously recognized financial asset from an entity's balance sheet.

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a non-Group counterparty.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Group is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognize the transferred asset(s). In this case it is necessary to recognize a liability corresponding to the amount received under the transfer and subsequently recognize all income accruing on the asset or expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitizations, repurchase transactions (buy-ins) and security lending.

Under traditional securitizations the Group keeps the first loss in the form of junior bonds or similar exposure and in some cases provides further credit enhancement as described above. This enables the Group to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches.

Retention by the Group of the first loss risk and the corresponding yield means that most of the risk and return on the portfolio is retained. Consequently these transactions are recognized in the accounts as financings and no profits arising out of the transfer of the assets are recognized and the sold receivables are not derecognized.

Synthetic securitizations also entail retention of the receivables subject to credit default protection on the balance sheet. The swap is recognized in the accounts, as well as any other purchased interest.

In this context, credit derivatives, under which the issuer must make agreed payments to indemnify the insured for an actual loss suffered as a result of a debtor's failure to pay a debt instrument at maturity, are classified as purchased financial guarantees.
As a consequence, the credit risk mitigation effects, associated with the purchase of protection, are taken into account when assessing the underlying receivables. Any premiums paid for the purchase of protection are classified as other assets and amortized in the income statement over the life of the contract.

Any interests acquired are financial assets classified in one of the portfolios provided for by the applicable international accounting standard, depending on the nature of the contract and the purpose for which they are acquired. These assets are therefore evaluated according to the portfolio in which they are classified, on the basis of the performance of the underlying portfolio and taking account of their tranching.

Credit enhancement, in addition to the most subordinated tranches of each securitization, can also consist in subordinated loans or deferred purchase prices (DPP).

The value of these instruments, in the case of traditional securitizations, is shown as a reduction in the value of liabilities associated with assets sold but not derecognized, while in the case of synthetic securitizations, credit enhancements are recognized as financial assets and valued according to their portfolio.

**Group as "*sponsor*"**
As well as an originator, the Group is also a sponsor of asset-backed commercial paper conduits (i.e., SPVs issuing commercial paper) set up as multi-seller customer conduits to give clients access to the securitization market.
These SPVs are not part of the banking group, but have been consolidated since December 2007.
Customer conduits require the formation and management of a bankruptcy-remote company (i.e., one that would be immune from any financial difficulties of the originator) which directly or indirectly buys receivables portfolios created by companies outside the Group.
The receivables underlying these transactions are not bought directly by the conduit set up by the Group, but by a purchase company which in turn is wholly funded by the conduit by means of commercial papers (ABCP).
The main purpose of these transactions is to give corporate clients access to the securitization market and thus to lower funding costs than would be borne with direct funding.
The conduit's purchase of assets is financed by short-term commercial paper and/or medium-term notes (MTN).
Payment of interest and redemption of the securities issued by the conduit therefore depends on cash flow from the receivables purchased (credit risk) and the ability of the conduit to roll over its market funding on maturity (liquidity risk).
Starting from the second half of 2007, investor demand for the securities issued by these conduits declined significantly. As a consequence, the Group directly purchased part of the outstanding commercial paper.
This trend reached its peak in December 2008 with a balance sheet exposure of €5,268 million and at December 31, 2016 it was €1,352.2 million.
Due to the activity performed, the Group bears most of the risk and receives most of the return on conduit business and also has control of the conduits.
Consequently, as required by IFRS 10 (while until December 31$^{st}$ 2013 IAS 27 and SIC 12 were applicable) , we have consolidated the above-listed SPVs.
Some second level Purchase Company are consolidated according to IFRS standards requirements.
Adopting the line-by-line consolidation method, the following items are recognized in the Consolidated Accounts:

- assets held by consolidated vehicles in place of the loans provided to them or the liabilities subscribed by Group companies, now eliminated on consolidation;
- loans to purchase companies for non-consolidated subordinated vehicles.

With respect to non-consolidated purchase companies, the Consolidated Accounts, while not including the assets recorded in their books, do show the maximum amount of the risk borne by the Group which, with respect to purchase companies wholly financed by the consolidated conduits, corresponds to the value of the assets of these purchase companies.

**Conduit Program**
As of December 2016 the Conduit Program comprises one Customer Conduit: Arabella Finance Ltd.
The Conduit program business is issue ABCP in order to finance the purchase of clients assets by though Purchase Companies that are on a subordinated level. Following the Restructuring of Conduit Programme took place on 2012, UCB AG grants full support facilities directly to each Purchase Company. Each Liquidity facility has to be available to cover in full the payment of the principal amount and the interests on the ABCP: the amount of this liquidity support has to be at least 102% of the underlying asset purchase commitment, covering both liquidity and credit risk.
Under a regulatory perspective, Risk Weighted Assets quantification for Arabella is realized through the application of the Internal Assessment Approach (IAA), according to the regulation in force for exposures related to ABCP Conduit Programs (CRR 575/2013).

**Arabella Finance DAC**
Arabella is a multi-seller customer conduit with two separate Legal Entities: Arabella Finance DAC Dublin in Europe and Arabella Finance LLC Delaware in the US.
The underlying portfolio of Arabella is constituted mainly by Trade receivables (36%) Car Leases (31%), Car Loans (8%); Car residual values (9%) and a small portion of Equipment Lease (3%) are purchased by the Purchase Companies of subordinated level to which the specific full support liquidity lines are addressed.

The majority of Assets are concentrated in Germany (38%), Italy (31%), France (5%) and Austria (11%).
During 2016 new ABCPs have been issued on the market through the setup of new Purchase Companies (six second level SPVs set up in 2016) and/or using the existing ones. Arabella portfolio increased of € 1.3 billion from year end 2015.
As of December 2016 the total portfolio is composed by 24 Pools (19 as of December 2015) with total committed Full Support Liquidity Facilities amounting to € 4.2 billion. The ABCPs issued amount to € 3.3 billion, of which about 41% internally funded (purchased by UniCredit Bank AG) while the remaining issued CPs are externally placed. The maximum issuing limit amounts to € 4.1billion.

**The Group as investor**
The Group also invests in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities.

With regard to these activities, the Group holds within the Global ABS portfolio exposures of securitisations established by third-parties such as RMBS, CMBS, CDO, CBO/CLO and other ABS.

In line with the development of the financial markets and, specifically, the securitisation market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("MSP"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities.

The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitisations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:

- structural analysis of all internal and external risks inherent to a similar investment, e.g. Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;
- analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;
- cash flows/quantitative analysis/modelling;
- credit rating and experience of the participants e.g. vendor/servicer - financial soundness, capacity and availability to service assets.

**The Methods of Calculation of the Risk Weighted Exposures Used by the Bank for Securitizations**
The Regulation on prudential requirements (so called CRR – EU Regulation 575/2013) specifies that " 'securitisation' means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics: (a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; (b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme".
Securitizations affect banks' balance sheets, whether they are sellers of assets or risks, or acquire the securities issued by the vehicle or of the credit risk.
The originator may - subject to certain conditions listed in the regulations - exclude securitized assets from capital requirements and, if it is a bank using IRB methods, the expected losses as well.

There are various ways of calculating the weighted value of positions due for securitization; they depend on the approach (standard or IRB) that the bank would have followed to determine the capital requirement corresponding to the credit risk of the securitized assets.

If the bank uses the standard approach to calculate capital requirements for the credit risk of securitized assets included in securitization positions, the weighted risk amount is calculated using a method which normally attributes a weight to securitization positions which depends on the rating given by an ECAI (External Credit Assessment Institution). The following risk weights applies according to CRR 575/2013 for securitization and re-securitization positions according to the standard approach:

**Table 1**
**Securitisation and Re-securitisation positions**

| Credit Ratings | 1 | 2 | 3 | 4(*) | Equal or below 5 |
|---|---|---|---|---|---|
| Securitisations | 20% | 50% | 100% | 350% | 1250% |
| Re-securitisations | 40% | 100% | 225% | 650% | 1250% |

(*) only for credit ratings different from short term

If the bank uses the basic or advanced IRB approach to calculate capital requirements for credit risk, the weighted risk amount of securitization positions is calculated using one of the following methods:

- The Internal Assessment Approach (IAA) is used for securitizations where the vehicle issues asset-backed commercial paper (ABCP)
- rating based approach, RBA: weights are based on external ratings (or inferred ratings), the number of securitized assets and the seniority of the position.
- calculation of the capital requirement for an individual tranche of securitization where there is no external or inferred rating: by using a set regulatory formula (SFA).

The following risk weights applies according to CRR 575/2013 for securitization and re-securitization positions according to the IRB approach:

<table>
<tr><th colspan="7">Table 2</th></tr>
<tr><td colspan="2">Credit Ratings</td><td colspan="3">Securitisations</td><td colspan="2">Re-securitisations</td></tr>
<tr><td>Long-term Credit Ratings</td><td>Short-term Credit Ratings</td><td>A</td><td>B</td><td>C</td><td>D</td><td>E</td></tr>
<tr><td>1</td><td>1</td><td>7%</td><td>12%</td><td>20%</td><td>20%</td><td>30%</td></tr>
<tr><td>2</td><td></td><td>8%</td><td>15%</td><td>25%</td><td>25%</td><td>40%</td></tr>
<tr><td>3</td><td></td><td>10%</td><td>18%</td><td rowspan="3">35%</td><td>35%</td><td>50%</td></tr>
<tr><td>4</td><td>2</td><td>12%</td><td>20%</td><td>40%</td><td>65%</td></tr>
<tr><td>5</td><td></td><td>20%</td><td>35%</td><td>60%</td><td>100%</td></tr>
<tr><td>6</td><td></td><td>35%</td><td colspan="2">50%</td><td>100%</td><td>150</td></tr>
<tr><td>7</td><td>3</td><td>60%</td><td colspan="2">75%</td><td>150%</td><td>225%</td></tr>
<tr><td>8</td><td></td><td colspan="3">100%</td><td>200%</td><td>350%</td></tr>
<tr><td>9</td><td></td><td colspan="3">250%</td><td>300%</td><td>500%</td></tr>
<tr><td>10</td><td></td><td colspan="3">425%</td><td>500%</td><td>650%</td></tr>
<tr><td>11</td><td></td><td colspan="3">650%</td><td>750%</td><td>850%</td></tr>
<tr><td colspan="2">Below 11 or unrated</td><td colspan="5">1250%</td></tr>
</table>

***Internal Assessment Approach (IAA)***
UniCredit calculates a risk weight based on the internal assessment approach (“IAA”) for unrated securitization positions which are related to ABCP programs. The internal ratings calculated according to this approach are used for various purposes such as regulatory risk calculation, expected loss and economic capital calculation, credit decisions as well as in the monitoring process.
Within the IAA the methodology of the external rating agencies (Standard & Poor’s, Moody’s and Fitch Ratings) is replicated taking into account that the internal methodology is at least as conservative as the published one. UniCredit has received IRB-approval for its IAA models for different asset classes. The models are reviewed at least on an annual basis.
The rating assignment process foresees three main actors: business unit, risk unit (responsible credit analyst - RCA and deputy credit analyst - DCA) and model development unit.
The rating assignment process can be summarized in the following macro steps:

- The business together with the RCA ensures that the IAA eligibility requirements are fulfilled.
- The RCA in coordination with the business unit selects the proper IAA model on the basis of the applicability criteria described in the working guideline.
- In case of new transactions the model applicability has to be confirmed by the model development unit, unless the new transaction is in any aspect identical to other existing transaction which is currently rated with the same IAA rating model
- RCA fills the model input (supported by the working guidelines) and proposes the rating for the approval (no override is allowed). The rating is shared with business, in case the business unit raises objections to the rating result, the rating decision is escalated in line with the policies and guidelines applicable in force.
- DCA checks the model inputs for completeness and correctness. If the rating was carried out properly, the DCA approves the rating (no override is allowed). In case the rating was not carried out properly, a new rating for approval is requested. The four eyes principle is ensured, since it is technically checked that the RCA and DCA are two different persons.
- Business unit agrees on the final rating and enter the results to the risk engine. RCA verifies the correctness of the data entry.
- The approved rating has to be attached to the credit request.

Second level controls are defined as follow: the local validation is performed by UCB AG Risk Department and it is made by two main areas of assessment:

- Model Validation (model Design and Performance)
- Process Validation (Usage, Technical Implementation, Reporting& Model evolution)

The IAA models are subject to several model changes due to the set-up of new transactions or changes in published methodologies; these models’ updates are also required by the Capital Requirement Regulation. In order to provide a third and independent level of control, a re-validation activity is performed by Group Internal Validation at Holding level.
Unicredit Bank AG has been authorized to use IAA rating model for securitization exposures to asset-backed commercial paper (ABCP). Such exposures are typically for credit enhancements (e.g. Letter of Credit) and liquidity facilities. ABCP can securitize a wide range of assets (e.g. lease and loans, trade receivables etc.) and based on the regulatory requirement a specific IAA rating model is required for each type of asset included in the ABCP programme.
Currently, only two models are IRB compliant:

- Trade Receivables used for Trade, Consumer and Healthcare receivables asset classes
- Loans and Leases used for Auto, Unsecured Consumer, Small Business Loans and Auto, Equipment Leases.

Here below the recent overall portfolio amount covers by IAA model ratings, compared with the last period available:

| **Exposure type** | **31st December 2016** | **30th June 2016** | **31st December 2015** |
|---|---|---|---|
| | Exposure (million €) | Exposure (million €) | Exposure (million €) |
| Letter of credit | 0 | 0 | 0 |
| Liquidity facility | 3.945 | 3.728 | 2.697 |
| Currency & Interest rate Swap | 10* | 13* | 8* |
| **Total** | **3.955** | **3.741** | **2.705** |

(* )The exposure was calculated as the current market value plus add-on.

The IAA compliant model replicates the published asset-specific rating criteria and methodology of ECAIs; the stressed factors taken into account by each model are reported below:

Trade Receivables (Model Type - Reserve requirement test):
- Credit Loss reserve
- Dilution reserve
- Concentration loss reserve
- Carrying cost reserve
- Commingling reserve

Loans and Leases (Model Type – Cash flow model):
- Default rate
- Recovery rate
- Residual Value
- Prepayments
- Commingling of cash
- Servicer fee
- Interest rate

The above mentioned factors are stressed in a quantitative rating for each tranche, a rating adjustment is determined by a qualitative module.

**Standard and IRB approaches**
If the capital requirement for securitized assets are calculated partly using the standard approach and partly under the IRB approach, the weighted risk amount for the securitization positions is calculated using the approach used for the majority portion in the securitized portfolio.

As far as the regulatory treatment of the securitization transactions originated by the Group (excluding self-securitization) are concerned, the Group performs on a quarterly basis the calculation of the risk weighted amount of the exposure towards securitizations transactions according to the aforementioned methods and it compares it to the risk weighted value of the securitized assets as if they had never been subject to securitization (cap test). The lower between the two amounts represents the actual absorption of each securitization transaction. If necessary, at Holding Company level an adjustment of the regulatory requirements is performed with respect to the ones reported by the Group Entities that retain exposures towards the same securitization transactions at individual basis.

As of December 2016, 21 transactions keep on having benefit in terms of regulatory capital: EIF Jeremie originated by UniCredit Bulbank AD, AMADEUS 2015 originated by UniCredit Bank Austria, Confidimpresa Trentino e cooperative Artigiana di garanzia della Provincia di Trento (tranched cover transactions, Veneto Sviluppo 2014 and UniCredit Midcap 2014 UniCredit Midcap 2 e UniCredit Midcap 3, UniCredit Midcap 4, Arts Leonardo, Gepafin, Agribond, Sardafidi, Bond Italia 1 e Bond Italia 1 Mix, Bond Italia 2 e Bond Italia 2, Bond Italia 3 e Bond Italia 3 Mix. During the last quarter new transactions have been performed: UniCredit Midcap 5, Bond Italia 4 e Bond Italia 4 Mix. All these transaction are originated by Unicredit Spa. FederConfidi and Federascomfidi are transactions not more recognized for risk transfer purpose.
For all the synthetic transactions Supervisory Formula Approach is applied for capital requirements calculation with the exception of EIF Jeremie for which Standard method is applied.

In addition it is also noted that, according to Regulation EU No. 575/2013 (CRR) it has been adopted the internal Risk Transfer test in order to determine the significant credit risk transfer based on the % of Credit Var transferred to third parties. Those transactions who did not meet the Significant Risk Transfer requirement were not considered eligible to provide regulatory capital benefits.

In order to support the evidences arising from the comparison of regulatory requirements related to securitization transactions, Group Risk Management structured a process of analysis, monitoring and control of the above mentioned transactions in order to verify the compliance with the qualitative and quantitative requirements set by the Regulator (CRR 57572013). In particular, the transactions are analyzed by a dedicated Group function in order to verify that:

- There is no interests misalignment between the Group and the final investor, through the commitment of the seller (or developer) to retain a share of risk in the transaction;
- The overall structure of the securitization does not neutralize the effect of maintaining this level of risk;
- The commitment to retain a share of risk is applied to all transactions subject to the rules on securitization;
- Internal risk measures support the regulatory evidences.

The securitization transactions originated by the Group have been included within the Group portfolios in order to calculate the internal risk measures (for credit risk, market risk, interest rate and liquidity).

As regards the securitization transactions for which the Group acts as investor, the Group calculates the regulatory absorption according to the rating based approach.

Starting from December 2011, as regards the net positions allocated in the regulatory trading portfolio, calculated in accordance with the provisions on preventive compensation, the specific risk capital requirement is equal to 8% of risk-weighted exposures. For these purposes, the weighted exposures are determined applying the prudential rules used for the banking portfolio (standardized method or rating based methods).
As regards the abovementioned portfolio, the Group operates a continuous monitoring of both the fair value and the economic value.

For this scope, starting from March 2008, in relation with credit structured products portfolios purchased by the Group and as far as third parties operations are concerned, it has been approved, under the coordination of Risk Management function, an uniform IPV process applying to all legal entities within UniCredit Group on a monthly basis.
The IPV process aims at define a proper evaluation and at classifying the FV level hierarchy of the security price in 3 classes, according to progressive levels of reliability of the observed market prices and the evaluation model applied making mark-to-model proxy whereas prices are opaque.
These valuation models are inherently complex and the underlying assumptions, the estimations and the evaluations often take into account uncertain and unpredictable data such as, for example, the expected cash flows, the solvency of the borrower, the appreciation or depreciation of assets, and may need to be updated to reflect changes in market conditions or trends.
With reference to the carrying value and fair value at December 31, 2016 of the reclassified ABS, refer to chapter “Capital Requirements”, to the paragraph “Reclassified financial assets”.

**Indication of the methods that the Group applies to securitization activity for the management and mitigation of following risks:**

*Liquidity risk*
As regards the management of impacts on Group liquidity generated by transactions that are relevant for these purposes (hence the traditional securitization and self-securitizations for which the Group acts as originator), it has to be noted that the Group:

- Monitors and includes the impacts of these positions on the basis of mapping rules defined by internal regulations:
- Verifies the eligibility of senior positions granted by the European Central Bank and includes the same in Counterbalancing Capacity according to the price provided by ECB and their haircuts;
- Monitors and estimates the effects on the Group liquidity deriving from possible rating downgrade of the notes themselves, or of the Group (originator).

Group acts as Swap counterparty, Account Bank and Servicer for its originated securitizations. With reference to OBG 1 Program, a daily amount of liquidity is posted by the Group according to the contractual requirements established for the role of swap counterparty. As of December 2016, the average amount posted is € 1.8 bn.
Group makes stress test exercise in order to calculate the liquidity risk impact. The group calculates the additional liquidity to be posted in case of downgrade of securitization notes, or OBG Program or the downgrade of UCG bank and/or Republic of Italy rating both of 1 notch and 2 notches. As of December 2016 for the group role as swap counterparty, account bank and servicer the additional liquidity to be posted is respectively € 0.5bn and € 0.7 bn.

*Interest Rate risk*
As far as regards the management of interest rate risk of securitization transactions originated by the Group, implied by the structure of interest rate swaps, the Group retains the interest rate profile of the securitized portfolio acting as a swap counterpart. The Group holds, calculates and monitors this risk as if the portfolio had not been securitized.
Concerning the management of interest rate risk of the positions for which the Group is investor or sponsor, they are usually included in the reference portfolio and managed according to standard Group procedures.

*Currency Risk*
As far as regards the management of currency risk of securitizations transactions both in case of originator and investor positions, the Group plays an active role about the foreign exchange positions in several different currencies. In particular with the Cross Currency Swap (CCS) where one party pays variable amounts or fixed amounts in a specified currency calculated from an established notional amount in the same currency and a second party pays variable amounts or fixed amounts in another currency calculated from the equivalent amount in such other currency. This product allows the hedging of currency risks for the long term. Interest payments and notional amounts are exchanged to hedge against exchange rate fluctuations.

*Credit risk*
As far as credit risk assessment is concerned, apart from the qualitative and quantitative analysis defined by the regulation in force for Pillar I requirements, (CRR 575/2013), the Group includes securitization exposures in the calculation of Credit Risk Economic Capital, according to a specific ad hoc methodology. In addition, an internal model for credit risk transfer assessment has been developed and internally validated.

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

**Securitizations**

<table>
<tr><th>Porfolios</th><th>ECA/ECAI</th></tr>
<tr><td>Position on securitizations with short term rating</td><td rowspan="2">- Fitch Ratings<br>- Moody's Investor Services<br>- Standard and Poor's Rating Services<br>- DBRS</td></tr>
<tr><td>Position on securitizations different from those with short term rating</td></tr>
</table>

The following tables give a breakdown of the Group's non-derecognized securitized loans by region and asset quality, and by traditional and synthetic securitizations. Traditional securitizations are disclosed net of self-securitizations in which the Group has purchased all liabilities issued by the vehicles.

**Securitized assets broken down by geographical area**

| | Amounts as at 12.31.2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Italy | Germany | Austria | Other EU Countries | Other European Countries (NON EU) | America | Asia | Rest of the world | Total |
| **Assets sold but not derecognized** | | | | | | | | | |
| - Residential mortgage loans | 3,643,412 | 7,177 | - | 203,618 | - | - | - | - | **3,854,207** |
| - Leasing | 1,114,251 | - | 300,459 | 38,696 | - | - | - | - | **1,453,406** |
| - Consumer loans | 507,438 | - | - | - | - | - | - | - | **507,438** |
| - SME loans | - | - | - | 871,959 | - | - | - | - | **871,959** |
| - Corporate loans | 377,022 | - | - | - | - | - | - | - | **377,022** |
| - Others | - | - | - | - | - | - | - | - | |
| **Total** | **5,642,123** | **7,177** | **300,459** | **1,114,273** | **-** | **-** | **-** | **-** | **7,064,032** |

**Securitized assets broken down by geographical area**

| | Amounts as at 12.31.2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Italy | Germany | Austria | Other EU Countries | Other European Countries (NON EU) | America | Asia | Rest of the world | Total |
| **Synthetic transactions** | | | | | | | | | |
| - Residential mortgage loans | - | - | - | - | - | - | - | - | **-** |
| - Commercial mortgage loans | - | - | - | - | - | - | - | - | **-** |
| - SME loans | 5,665,658 | - | - | 37,211 | - | - | - | - | **5,702,869** |
| - Corporate loans | 7,968,071 | - | - | - | - | - | - | - | **7,968,071** |
| - Others | - | - | - | - | - | - | - | - | **-** |
| **Total** | **13,633,729** | **-** | **-** | **37,211** | **-** | **-** | **-** | **-** | **13,670,940** |

**Securitized assets broken down by asset quality**

| | Amounts as at 12.31.2016 | | |
|---|---|---|---|
| | Other assets (performing) | Non performing assets | Total |
| **Assets sold but not derecognized** | | | |
| - Residential mortgage loans | 3,439,403 | 414,804 | **3,854,207** |
| - Leasing | 1,339,907 | 113,499 | **1,453,406** |
| - Consumer loans | 492,960 | 14,478 | **507,438** |
| - SME loans | 871,959 | - | **871,959** |
| - Corporate loans | 204,900 | 172,122 | **377,022** |
| - Others | - | - | **-** |
| **Total** | **6,349,129** | **714,902** | **7,064,032** |

**Securitized assets broken down by asset quality**

| | Amounts as at 12.31.2016 | | |
|---|---|---|---|
| | Other assets (performing) | Impaired assets | Total |
| **Synthetic transactions** | | | |
| - Residential mortgage loans | - | - | **-** |
| - Commercial mortgage loans | - | - | **-** |
| - SME loans | 5,700,861 | 2,008 | **5,702,869** |
| - Corporate loans | 7,968,071 | - | **7,968,071** |
| - Others | - | - | **-** |
| **Total** | **13,668,932** | **2,008** | **13,670,940** |

As noted, the traditional securitization tables give the amount of the assets sold but not derecognized due to retention by the Group of most of the related risk and rewards.

In 2016 these assets were written down by €152,440 thousand.

Besides the mentioned exposures, the Group has originated other traditional securitizations of performing loans, in which it has purchased all liabilities issued by the vehicles (self-securitizations) whose underlying assets totaled €15,705,131 thousand.

Traditional securitizations originated by the Group have as underlying mainly residential mortgages, leasing transactions and consumer loans originated in Italy and loans to Small Medium Entities originated in Other EU countries.

Synthetic securitization structures have mainly loans to Corporate and Small Medium Entities originated in Italy.

It should be noted that the decrease in balance-sheet net exposures relating to transactions not derecognized to €3,500 million as at December 2016 from €3,910 million as at December 2015 was due to development of the transactions, partially offset by one new securitization called Pillarstone Italy – Premuda.

No profit or loss arose from the sale of securitized assets within the new traditional securitisations performed during 2016.

Moreover, the increase in balance-sheet net exposures concerning synthetic transactions from €9,715 million in December 2015 to €11,319 million in December 2016 was due to eight new transactions called Agribond, ARTS Midcap4, ARTS Midcap5, Bond Italia3 Investimenti, Bond Italia3 Misto, Bond Italia4 Investimenti, Bond Italia4 Misto e Sardafidi, partially offset by the development of the remaining transactions.

Performing loans account for about 90% of the underlying portfolio of traditional securitizations, and almost the total of synthetic securitizations.

The Group is not an originator of securitizations having US prime, subprime or Alt-A residential mortgages as underlying.

As at December 31st, 2016 there are €518 million of financial assets awaiting securitization (warehousing) composed of mortgages loans originated in Italy.

The following tables give, broken down by banking book and trading book respectively, the amounts of in-house and others securitizations divided according to the Group’s role and the type of exposure.

It is specified that, with regarding to the exposures securitised, the losses recognised during the current period, are reported in the tables C.1 and C.2 of the Part E in the Notes to the Consolidated Accounts, in the “C. Securitization transactions” paragraph.

| Exposure in Asset Backed Securities broken down by seniority - banking book | | | | | (€000) |
|---|---|---|---|---|---|
| | amounts as at 12.31.2016 | | | | Amounts as at 12.31.2015 |
| Type of exposure | Senior | Mezzanine | Junior | Total | Total |
| **Investments in own ABS transactions (Originator)** | | | | | |
| **Assets sold totally derecognized** | - | - | 35,622 | 35,622 | 36,566 |
| - CLO/CBO | - | - | 35,622 | 35,622 | 36,566 |
| *- CLO SME* | - | - | - | - | - |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Others* | - | - | *35,622* | *35,622* | *36,566* |
| - Others | - | - | - | - | - |
| **Guarantees given** | - | - | - | - | - |
| **Credit facilities** | - | - | - | - | - |
| | | | | | |
| **Assets sold but not derecognized** | 1,021,262 | 350,158 | 2,030,862 | 3,402,282 | 4,176,126 |
| - RMBS | 956,704 | 145,167 | 557,449 | 1,659,320 | 1,909,903 |
| *- Prime* | *956,704* | *145,167* | *557,449* | *1,659,320* | *1,909,903* |
| - CLO/CBO | - | 73,052 | 120,513 | 193,565 | 147,446 |
| *- CLO SME* | - | - | - | - | - |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Other* | - | *73,052* | *120,513* | *193,565* | *147,446* |
| - Consumer loans | - | - | 507,438 | 507,438 | 522,462 |
| - Leasing | 64,558 | 44,897 | 830,109 | 939,564 | 1,177,066 |
| - Others | - | 87,042 | 15,353 | 102,395 | 419,249 |
| **Guarantees given** | 468,923 | - | - | 468,923 | 529,348 |
| **Credit facilities** | 13,156 | - | - | 13,156 | 13,709 |
| | | | | | |
| **Synthetic transactions** | 11,163,918 | 41,997 | 112,745 | 11,318,660 | 9,715,259 |
| - RMBS | - | - | - | - | - |
| *- Prime* | - | - | - | - | - |
| - CLO/CBO | 11,163,918 | 41,997 | 112,745 | 11,318,660 | 9,715,258 |
| *- CLO SME* | *1,333,885* | *41,997* | *91,282* | *1,467,164* | *73,169* |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Other* | *9,830,033* | - | *21,463* | *9,851,496* | *9,642,089* |
| - Consumer loans | - | - | - | - | - |
| - Leasing | - | - | - | - | - |
| - Others | - | - | - | - | - |
| **Guarantees given** | - | - | - | - | - |
| **Credit facilities** | - | - | - | - | - |
| | | | | | |
| **Consolidated conduits (Sponsor)** | | | | | |
| **Balance sheet exposure** | - | - | - | - | - |
| - ABCP | - | - | - | - | - |
| **Guarantees given** | - | - | - | - | - |
| **Credit facilities** | 2,859,142 | - | - | 2,859,142 | 2,304,290 |
| | | | | | |
| **Investments in third party securitization (Investor)** | | | | | |
| **Balance sheet exposure** | 6,459,413 | 539,557 | 83,956 | 7,082,926 | 6,447,430 |
| - RMBS | 2,802,004 | 232,398 | - | 3,034,402 | 3,392,243 |
| *- Prime* | *2,700,631* | *114,991* | - | *2,815,622* | *3,160,514* |
| *- Subprime* | - | *449* | - | *449* | *7,933* |
| *- Nonconforming* | *101,373* | *116,958* | - | *218,331* | *223,796* |
| - CMBS | 93,973 | 49,148 | - | 143,121 | 295,613 |
| - CDO | 61,854 | 4 | - | 61,858 | 67,019 |
| *- CDO di ABS / CDO di CDO* | *2,383* | - | - | *2,383* | *6,579* |
| *- CDO Balance Sheet* | *22,741* | - | - | *22,741* | *21,973* |
| *- CDO Market Value* | - | - | - | - | - |
| *- CDO Preferred Stock* | *34,452* | - | - | *34,452* | *35,545* |
| *- CDO Synthetic Arbitrage* | - | - | - | - | - |
| *- CRE CDO* | - | - | - | - | - |
| *- CDO Others* | *2,278* | *4* | - | *2,282* | *2,922* |
| - CLO/CBO | 1,957,585 | 232,956 | - | 2,190,541 | 1,075,246 |
| *- CLO SME* | *38,967* | - | - | *38,967* | *12,968* |
| *- CLO arbitrage/balance sheet* | *1,384* | *39,086* | - | *40,470* | *73,720* |
| *- CLO / CBO Others* | *1,917,234* | *193,870* | - | *2,111,104* | *988,558* |
| - Consumer loans | 1,365,678 | 19,510 | - | 1,385,188 | 1,177,478 |
| - Credit Cards | 77,367 | - | - | 77,367 | 165,777 |
| - Student loans | 24,098 | 1,469 | - | 25,567 | 52,629 |
| - Leasing | 9,201 | 60 | - | 9,261 | 33,420 |
| - Others | 61,078 | 4,012 | 41,586 | 106,676 | 126,161 |
| - Loans | 6,575 | - | 42,370 | 48,945 | 61,844 |
| **Guarantees given** | 307,900 | - | - | 307,900 | 394,665 |
| **Credit facilities** | - | - | - | - | - |

The impaired investments in third party securitization belonging to banking book as at 31 December 2016 are marginal, having a net exposure for €30.268 thousands.

**Exposure in Asset Backed Securities broken down by seniority - trading book** (€000)

| | amounts as at 12.31.2016 | | | | Amounts as at 12.31.2015 |
|---|---|---|---|---|---|
| **Type of exposure** | **Senior** | **Mezzanine** | **Junior** | **Total** | **Total** |
| **Investments in own ABS transactions (Originator)** | | | | | |
| **Assets sold but not derecognized** | **94,145** | **3,353** | **-** | **97,498** | **50,847** |
| - RMBS | 89,489 | 3,000 | - | 92,489 | 45,839 |
| *- Prime* | *89,489* | *3,000* | - | *92,489* | *45,839* |
| - CLO/CBO | - | - | - | - | - |
| *- CLO SME* | - | - | - | - | - |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Other* | - | - | - | - | - |
| - Leasing | 4,656 | 353 | - | 5,009 | 5,008 |
| - Others | - | - | - | - | - |
| **Guarantees given** | **-** | **-** | **-** | **-** | **-** |
| **Credit facilities** | **-** | **-** | **-** | **-** | **-** |
| | | | | | |
| **Synthetic transactions** | **-** | **-** | **-** | **-** | **-** |
| - RMBS | - | - | - | - | - |
| *- Prime* | - | - | - | - | - |
| - CLO/CBO | - | - | - | - | - |
| *- CLO SME* | - | - | - | - | - |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Other* | - | - | - | - | - |
| - Leasing | - | - | - | - | - |
| - Others | - | - | - | - | - |
| **Guarantees given** | **-** | **-** | **-** | **-** | **-** |
| **Credit facilities** | **-** | **-** | **-** | **-** | **-** |
| | | | | | |
| **Consolidated conduits (Sponsor)** | | | | | |
| **Balance sheet exposure** | **1,352,211** | **-** | **-** | **1,352,211** | **626,838** |
| - ABCP | **1,352,211** | - | **-** | 1,352,211 | 626,838 |
| **Guarantees given** | **-** | **-** | **-** | **-** | **-** |
| **Credit facilities** | **-** | **-** | **-** | **-** | **-** |
| | | | | | |
| **Investments in third party securitization (Investor)** | | | | | |
| **Balance sheet exposure** | **59,878** | **-** | **-** | **59,878** | **76,605** |
| - RMBS | 15,616 | - | - | 15,616 | 23,177 |
| *- Prime* | *15,616* | - | - | *15,616* | *23,177* |
| *- Subprime* | - | - | - | - | - |
| *- Nonconforming* | - | - | - | - | - |
| - CMBS | - | - | - | - | 6,526 |
| - CDO | - | - | - | - | - |
| *- CDO di ABS / CDO di CDO* | - | - | - | - | - |
| *- CDO Balance Sheet* | - | - | - | - | - |
| *- CDO Market Value* | - | - | - | - | - |
| *- CDO Preferred Stock* | - | - | - | - | - |
| *- CDO Synthetic Arbitrage* | - | - | - | - | - |
| *- CRE CDO* | - | - | - | - | - |
| *- CDO Others* | - | - | - | - | - |
| - CLO/CBO | 2,261 | - | - | 2,261 | - |
| *- CLO SME* | *2,261* | - | - | *2,261* | - |
| *- CLO arbitrage/balance sheet* | - | - | - | - | - |
| *- CLO / CBO Others* | - | - | - | - | - |
| - Consumer loans | 34,808 | - | - | 34,808 | 46,902 |
| - Credit Cards | - | - | - | - | - |
| - Student loans | - | - | - | - | - |
| - Leasing | 7,193 | - | - | 7,193 | - |
| - Others | - | - | - | - | - |
| - Loans | - | - | - | - | - |
| **Guarantees given** | **-** | **-** | **-** | **-** | **-** |
| **Credit facilities** | **-** | **-** | **-** | **-** | **-** |

It should be noted that during the period the Group has not provided support to any non - consolidated securitization vehicle in absence of contractual obligation to do so. Moreover the Group has not the current intention to provide such support.

Finally, it should be noted that the exposures classified in the banking book include a non-significant portion of re-securitization exposures, i.e. transactions in which at least one of the underlying assets is in turn a securitization position.

The table below shows the breakdown by type of these re-securitizations, divided according to the Group's role and the level of subordination.

**Exposures in re-securitization - banking book** (€000)

| | amounts as at 12.31.2016 | | | | amounts as at 12.31.2015 |
|---|---|---|---|---|---|
| **Exposure type** | **Senior** | **Mezzanine** | **Junior** | **Total** | |
| **Investments in own ABS transactions (Originator)** | | | | | |
| **Assets sold totally derecognized** | **-** | **-** | **-** | **-** | **-** |
| - CLO/CBO | - | - | - | - | - |
| **Investments in third party securitization (Investor)** | **9,012** | **36,648** | **0** | **45,660** | **169,893** |
| - RMBS | - | - | - | - | **-** |
| - CMBS | - | - | - | - | 2,737 |
| - CDO | 2,278 | - | - | 2,278 | 9,499 |
| - CLO/CBO | 6,734 | 36,648 | - | 43,382 | 157,657 |
| - ABS others | - | - | - | - | - |

**Securitisation - Standardized approach (Non-weighted amounts)** (€ '000)

| | ON-BALANCE-SHEET RISK ASSETS | | | OFF-BALANCE-SHEET RISK ASSETS | | | PRE-PAYMENT CLAUSES |
|---|---|---|---|---|---|---|---|
| WEIGHTING FACTORS | "IN HOUSE" SECURITISATIONS ORIGINATOR | THIRD PARTIES SECURITISATIONS SPONSOR | THIRD PARTIES SECURITISATIONS INVESTOR | "IN HOUSE" SECURITISATIONS ORIGINATOR | THIRD PARTIES SECURITISATIONS SPONSOR | THIRD PARTIES SECURITISATIONS INVESTOR | "IN HOUSE" SECURITISATIONS ORIGINATOR |
| Weighting 20% | - | - | 141,645 | - | - | 284,603 | |
| Weighting 50% | - | - | 847 | - | - | - | |
| Weighting 100% | - | - | 18,836 | - | - | - | |
| Weighting 350% | - | - | - | - | - | - | |
| Weighting 1250%- with rating | - | - | - | - | - | - | |
| Weighting 1250%- without rating | - | - | - | - | - | - | |
| Look-through - second loss in ABCP | - | - | - | - | - | - | |
| Look-through - other | - | - | 254,865 | - | - | - | - |
| Internal Assessment Approach (IAA) | - | - | - | - | - | - | |
| **Total as at 12.31.2016** | **-** | **-** | **416,193** | **-** | **-** | **284,603** | **-** |
| **Total as at 12.31.2015** | **22,135** | **-** | **366,850** | **-** | **-** | **369,601** | **-** |

## Securitisation - IRB approach (Non-weighted amounts)

(€ '000)

| WEIGHTING FACTORS | ON - BALANCE - SHEET RISK ASSET | | | OFF - BALANCE - SHEET RISK ASSET | | | PRE-PAYMENT CLAUSES |
|---|---|---|---|---|---|---|---|
| | "IN HOUSE" SECURITISATION ORIGINATOR | THIRD PARTIES SECURITISATION SPONSOR | THIRD PARTIES SECURITISATIONS INVESTOR | "IN HOUSE" SECURITISATION ORIGINATOR | THIRD PARTIES SECURITISATION SPONSOR | THIRD PARTIES SECURITISATIONS INVESTOR | "IN HOUSE" SECURITISATION ORIGINATOR |
| Weighting 7-10% | - | - | 5,535,273 | - | 255,000 | - | |
| Weighting 12-18% | - | - | 411,994 | - | - | - | |
| Weighting 20-35% | - | - | 375,618 | - | - | 23,298 | |
| Weighting 40-75% | - | - | 126,887 | - | - | - | |
| Weighting 100% | - | - | 7,662 | - | - | - | |
| Weighting 250% | - | - | 26,162 | - | - | - | |
| Weighting 425% | - | - | 43,724 | - | - | - | |
| Weighting 650% | - | - | 27,819 | - | - | - | |
| Weighting 1250% - with rating | - | - | - | - | - | - | |
| Weighting 1250% - without rating | - | - | - | - | - | - | |
| Supervisory formula method | 11,175,403 | - | - | - | - | - | |
| Look - through | - | - | - | - | - | - | |
| Internal Assessment Approach (IAA) | - | 9,981 | - | - | 3,956,352 | - | - |
| **Total as at 12.31.2016** | **11,175,403** | **9,981** | **6,555,139** | **-** | **4,211,352** | **23,298** | |
| **Total as at 12.31.2015** | **9,557,746** | **7,507** | **5,843,553** | **-** | **2,931,128** | **27,255** | **-** |

## Re-securitisation - IRB approach (Non-weighted amounts)

(€ '000)

| WEIGHTING FACTORS | ON-BALANCE-SHEET RISK ASSETS | | | OFF-BALANCE-SHEET RISK ASSETS | | |
|---|---|---|---|---|---|---|
| | "IN HOUSE" SECURITISATIONS ORIGINATOR | THIRD PARTIES SECURITISATIONS SPONSOR | THIRD PARTY SECURITISATIONS INVESTOR | "IN HOUSE" SECURITISATIONS ORIGINATOR | THIRD PARTIES SECURITISATIONS SPONSOR | THIRD PARTY SECURITISATIONS INVESTOR |
| Weighting 20 - 35% | - | - | 38,954 | - | - | - |
| Weighting 40 - 75% | - | - | 26,236 | - | - | - |
| Weighting 100% | - | - | - | - | - | - |
| Weighting 150% | - | - | 2,854 | - | - | - |
| Weighting 200% | - | - | - | - | - | - |
| Weighting 225% | - | - | 4 | - | - | - |
| Weighting 300% | - | - | - | - | - | - |
| Weighting 350% | - | - | - | - | - | - |
| Weighting 500% | - | - | - | - | - | - |
| Weighting 650% | - | - | - | - | - | - |
| Weighting 750% | - | - | - | - | - | - |
| Weighting 850% | - | - | - | - | - | - |
| Weighting 1250% - with rating | - | - | - | - | - | - |
| Weighting 1250% - without rating | - | - | - | - | - | - |
| Supervisory Formula Method | - | - | - | - | - | - |
| Look-through | | - | - | - | - | - |
| Internal Assessment Approach (IAA) | - | - | - | - | - | - |
| **Total as at 12.31.2016** | **-** | **-** | **68,048** | **-** | **-** | **-** |
| **Total as at 12.31.2016** | **-** | **-** | **155,752** | **-** | **-** | **-** |

Securitized assets, totaling € 223,473 thousand, have been deducted from Own Funds.
It should be noted that there are no securitization exposures originated by the Group subject to a capital requirement for market risk as at December 31st, 2016.

# Operational Risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to the company's physical assets, business disruption and system failures, process management.

**Group operational risk framework**
UniCredit group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and controlled entities.
The operational risk policies, applying to all Group entities, are common principles defining the roles of the company bodies, the operational risk management function as well as the relationship with other functions involved in operational risk monitoring and management.

The Parent company coordinates the Group entities according to the internal regulation and the Group operational risk control rulebook. Specific risk committees (Group Risk & Internal Control Committee, GALCO, Group Operational and Reputational Risk Committee) are set up to monitor risk exposure, mitigating actions and measurement and control methods.

The methodology for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement is set by the Parent company Group Operational & Reputational Risks department and applies to all Group 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 under the responsibility of the Group Internal Validation department of the Holding company and independent from the Group Operational & Reputational Risks department.

Since March 2008, the UniCredit group has used the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main entities of the Group.

**Organizational structure**
Senior Management is responsible for approving all aspects relating to the Group operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure, with support from the appropriate risk committees if required.

The "Group Operational & Reputational Risks Committee" is responsible for monitoring operational and reputational risks at Group level, evaluating incidents significantly affecting the overall operational and reputational risk profile, submitting to the "Group Risk & Internal Control Committee", for either approval or information, operational and reputational risk strategies, policies, guidelines, methodologies, operational losses trend monitoring based on operational expected losses forecast as well as regular reporting on operational and reputational risk portfolio.

The Committee is responsible for ensuring consistency in operational and reputational risk policies, methodologies and practices across Business Functions and Legal Entities. It controls and monitors the Group operational and reputational risk portfolio and risk mitigation actions.

The "Group Operational & Reputational Risk Committee", chaired by the Parent company's head of Group Risk Management, is made up of permanent and guest members. The list of participants of the Committee has been updated in 2014, also in the light of changes in the organizational structure of the Group.

The” Group Operational & Reputational Risks Committee” meets with consulting and suggestion functions for submission to the “Group Risk & Internal Control Committee”, functions/decision making Bodies/Legal Entities, for the following topics:

- Group risk appetite including capitalization targets and capital allocation criteria for Group operational risks;
- estimation model of expected operational losses for the Group and for the main Legal Entities basing on historical losses time series;
- initial approval and fundamental modifications of risk control and measurement systems for operational risk, including possible action plans, processes, IT and data quality requirements, supported by the validation reports;
- overall strategies for operational risk optimization, “Governance Guidelines” and general “Policies” for the management of Group operational risk;
- action plans to address possible critical findings related to risk control and measurement systems resulting from Group Internal Validation and Internal Audit activities, with regard to the internal control system and risk measurement;
- status update of relevant Basel 2 project activities and processes on operational risk topics;
- ICAAP topics on operational risks;
- yearly Regulatory Internal Validation Report on operational risk;
- advice on matter of operational risk, upon request of the Holding Company;

and for the following topics with reference to reputational risk:

- support, for specific reputational risk events, the crisis management capabilities and stakeholder communication, coherently with the Reputational Risk Management framework;
- advice on matter of reputational risk, upon request of the Holding Company functions/Bodies and Legal Entities;
- issue opinions, upon request of competent Committees, in case of doubt on the application of the reputational risk Global Rules, in order to evaluate the overall transaction;
- issue opinions to evaluate the reputational risk related to non-credit transactions identified by the Head of CIB Division.

The “Group Operational & Reputational Risks Committee” meets with approval function for the following topics:

- special operational and reputational risk policies;
- corrective actions for balancing Group operational risk positions, including planned mitigation actions within the expected operational losses defined by the competent Bodies;
- Group insurance strategies, including renewals, limits and deductibles;
- approval and following fundamental modifications of the methodologies for the measurement and control of operational risk, supported by the related validation reports.

The “Group Operational & Reputational Risks Committee” provides the “Group Risk & Internal Control Committee” with the following information:

- regular risk reports on operational losses, insurance recoveries, risk indicators trend, as well as, on back – testing and stress testing results, included the one addressed to the Regulatory Authorities (before the presentation to them);
- results of scenario analyses;
- results of the critical risk indicators analyses;
- relevant internal and external operational events occurred, significantly affecting the Group's portfolio;
- operational and reputational risk policies;
- corrective actions for balancing Group operational risk positions, including mitigation actions;
- Group insurance strategies, including renewals, limits and deductibles;
- methodologies for the measurement and control of operational risk;
- regular reports on reputational risks included the one addressed to Regulatory Authorities (before the presentation to them).

The “Group Operational & Reputational Risks Committee” receives from the relevant competent Committees a regular report on all transactions for which transaction inherent reputational risks, based on current reputational risk Group Rules, have been evaluated.

The Group Operational & Reputational Risks department reports to the head of Group Risk Management and supervises and manages the overall profile of the operational and reputational risks in the Group by defining the strategies, methodologies and forecast on expected operational losses.

The department has four organizational units:

- “Operational & Reputational Risks Oversight”, responsible for defining the principles and rules at Group level for identification, assessment and control of operational and reputational risk and monitoring their correct application by the Legal Entities;
- “Operational & Reputational Risks Advanced Analytics and Strategies”, responsible for defining risk capital measurement approaches, calculating operational risk capital and the corresponding economic capital. Furthermore it is responsible for defining operational risk strategies;
- “Operational & Reputational Risks Management”, responsible for supporting the business functions (i.e. UniCredit S.p.A. Network and Competence Line, CIB Division) in the identification of the operational and reputational risks performing specific risk assessment activities (e.g. on relevant transactions);
- “Operational, Reputational Risks on Credit Framework & Fraud Management”, responsible for the identification and control of operational risks on credit framework in order to contribute to inherent losses reduction. The unit is also responsible, with reference to UniCredit S.p.A, for identifying measures necessary to prevent, control and manage residential mortgage and consumer credit fraud.

The Operational Risk Management functions of the controlled entities provide specific operational risk training to staff, also with the use of intranet training programs, and are responsible for the correct implementation of the Group framework elements.

**Internal validation process**
In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up at the Parent Company and in the relevant Group Entities in order to verify the compliance with regulations and Group standards. This process is responsibility of Market, Operational and Pillar II Risks Validation unit, within the Group Internal Validation department.
Group methodologies for measuring and allocating the capital at risk and the IT system are validated at Parent Company level by the abovementioned function, while the implementation of the operational risk control and management system within the relevant Entities is analyzed by local Operational Risk Management functions with a self-assessment, following the technical instructions and policies issued by Group Internal Validation.
The results of the local assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Non-Binding Opinions to the relevant subsidiaries. The local validation report, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Entities' competent governing bodies.
All the validation outcomes on the operational risk control and measurement system, both at Parent Company and controlled entities level, are annually consolidated within the annual validation report which, along with the annual Internal Audit report, is presented to the UniCredit Board of Directors. Eventually, the Board of Directors resolves on the Group system compliance with minimum regulatory requirements, also taking into consideration the related decisions taken by individual Governing Bodies of the controlled Legal Entities.
Periodical reporting on validation activities is submitted also to “Group Operational & Reputational Risks Committee”.

**Reporting**
A reporting system has been developed to inform senior management and relevant control bodies on the Group operational risk exposure and the risk mitigation actions.
In particular, monthly updates are provided on operational losses, quarterly updates are provided on capital-at-risk estimates, and the main initiatives undertaken to mitigate operational risk in the various business areas.. Furthermore the validation results are submitted to the attention of the Group Operational & Reputational Risk Committee.

**Operational risk management and mitigation**
Operational risk management exploits process reengineering to reduce the risk exposure and insurance policies management, defining proper deductibles and policies limits. Regularly tested business continuity plans assure sound operational risk management in case of interruption of main business services.

In the Legal entities, the Risk Committee (or other bodies in accordance to local regulations) reviews risks tracked by the Operational Risk functions with the support of functions involved in daily operational risk control, and monitors the risk mitigation initiatives.

**Risk capital measurement and allocation mechanism**
UniCredit developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data, scenario loss data and risk indicators.

Capital at risk is calculated per risk class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation, considering also insurance coverage. The severity distribution is estimated on internal, external and scenario loss data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method. Capital at risk is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes for economic capital purposes. Through an allocation mechanism, the individual Legal Entities' capital requirements are identified, reflecting the Entities' risk exposure.

# Operational Risk: use of Advanced Measurement Approaches

## Description of the risk measurement methodology (AMA)

UniCredit group developed an internal model for measuring the capital requirements. It is based on internal loss data, external loss data (collected from the international consortium ORX - Operational Riskdata eXchange Association), scenario loss data and risk indicators.

Capital requirement is calculated at Group level, considering the risk classes. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution.

The severity distribution is estimated on internal, external and scenario data, while the frequency distribution is determined using only the internal data. The severity distribution is selected among a portfolio of parametric distribution (truncated lognormal, truncated Weibull, truncated loglogistic, generalized Pareto, shifted lognormal) applying a decision tree on internal data to identify the set of distribution/threshold best describing the tail severity data for each risk class.

Frequency of loss data is modeled by a Poisson distribution. For each risk class, the annual loss distribution is obtained from severity and frequency through Monte Carlo simulation, considering also insurance coverage. An adjustment for key operational risk indicators is applied to the annual loss distribution estimated for each risk class.

Annual loss distributions of risk classes are aggregated considering correlation among event types. Correlation is estimated through a Student-t copula function and the overall annual loss distribution is obtained though Monte Carlo simulation. Group AMA capital requirement is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and at a confidence level coherent with the Group target rating for economic capital purposes. Expected loss, for each risk class, is calculated as the minimum between median of loss distribution and available specific provisions. Deduction for expected loss is calculated summing up the expected losses of the risk classes.

Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the entities' risk exposure.
The allocation mechanism is based on two steps:

- The Group capital requirement is allocated to sub consolidating entities (model hubs) proportionally to their relative 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 AMA approach approved by the Supervisory Authority in 2008 has been upgraded and deeply revised (starting from H1 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 H2 2015 reporting. The entities not yet authorized to use the advanced methods contribute to the consolidated capital requirement on the basis of the standard (TSA) or basic (BIA) model.

The weight of the different methods, expressed in terms of contribution to the total relevant indicator of the Group, is as follows: AMA 84,97%, TSA 8,41%, BIA 6,62%.
The AMA perimeter embeds Group main legal entities in Italy, Germany , Austria, and Poland as well as UBIS , Pioneer, UC Ireland and UC Luxemburg. AMA is also applied to main legal entities of CEE countries including Slovenia, Czech Republic, Slovakia, Romania, Croatia, Bulgaria and Hungary.
Main TSA and BIA legal entities are UC Russia and Yapi Kredi.

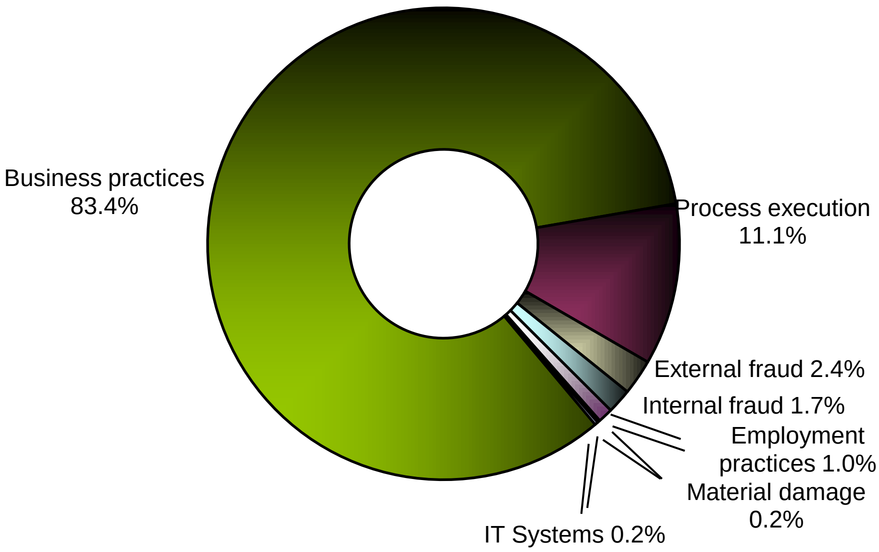
# Sources of operational risk

Detailed below is the percentage composition, 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 the Bank of Italy in December 2013 (Circular No. 285/2013 and following updates).

The major categories are as follows:

- internal fraud: losses owing to unauthorized activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- 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-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

**Operational losses 2016 divided by risk category**




In 2016, the main source of operational risk was "Clients, products and business practices", a category which includes losses arising from the non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations. The second largest contribution to losses came from errors in process management, execution and delivery due to operational or process management shortfalls. There were also, in decreasing order, losses stemming from external fraud, internal fraud and employment practices. The residual risk categories were IT systems related problems and damage to physical assets from external events.

Information on Legal risk are reported in "2016 Consolidated Reports and Accounts, part E, section 4, Operational risk" as at December 31, 2016.

# Operational risk management and mitigation

Operational risk management exploits a number of tools, like process reengineering, to reduce the risk exposure and insurance policies management, by defining proper deductibles and policies' limits. Regularly tested business continuity plans assure sound operational risk management in case of interruption of main business services.

UniCredit Spa Board of Directors, within its steering powers, approves the operational risk strategies aiming to identify the priority areas for operational risk mitigation. In the legal entities, the Risk Committee (or other bodies, in accordance with local regulations) reviews risks tracked by the Operational Risk functions with the support of functions involved in daily operational risk control, and monitors the risk mitigation initiative, in coherence and implementation of the operational risk strategies.

The Group has promoted the mitigation of potential losses by identifying several topics aiming at analyzing the issue of operational risk reduction.

The main ones are the following:

**Strategies**
Within the "Risk Appetite Framework", UniCredit Spa Board of Directors has approved strategies specific for operational risk. Strategies apply to products, services, business lines, processes, according to the following criteria:

- current portfolio: top risks, as resulting from the operational risk framework (loss data analysis, scenario and risk indicators analyses) or considering relevant changes in external environment (e.g. forthcoming regulations, changes in court attitude, events occurred to peers);
- forward looking portfolio: emerging risks, as resulting from budget analyses, due to business model and internal control system relevant changes.

Strategies do not apply to the risks already mitigated (e.g. anatocism), however having an inertial effect in terms of operational loss flows.

The operational risk strategies are implemented by the Legal Entities through the detection and prioritization of the mitigation actions performed by the Permanent Workgroups (e.g. processes and IT system review; enhancement of internal control system; training programs; risk transfer policies through insurance). The operational risk strategies include the identification of "expected operational losses" for the main Group Legal Entities, estimated on historical operational losses.

**Permanent WorkGroup**
The "Operational Risk Mitigation Strategies Global Policy" and the "Global Operational Instructions Permanent Workgroup" govern the Permanent WorkGroup (PWG), a working group established in most of the Group Legal Entities and composed mainly of Operational Risk and Organization functions, with the aim of reducing operational losses by the identification and the implementation of new mitigation actions.
The PWG takes advantage also of the cooperation of all the other involved functions as guest members (like Compliance, IT, Business, Accounting…). The meetings, called at least quarterly, aim at prioritizing the risks, implementing strategies through the mitigation actions and monitoring their implementation.

**Mitigation Action Monitoring**
The major mitigation actions planned and/or implemented by the Group Legal Entities, are reported on a regular basis to UniCredit Spa since 2011, also at the purpose to verify their coherence with the operational risk strategies. Following every relevant loss, in the scope of MAO activity (Mitigation Action Outlook) each Legal Entity is required to plan a related mitigation action. The mitigation actions linked to the strategies of the Legal Entities are collected and monitored by the Holding Company.

**Expected Losses Monitoring**
The expected operational losses are estimated for the Group and for the main Legal Entities. They are a forecast of operational losses expected at the year end and estimated with a statistical model, basing on the historical losses time series. They are monitored on quarterly basis including in the forecast the actual losses booked in each quarter. The comparison between the value estimated at the beginning of the year and the forecast recalculated on each quarter allows a close monitoring by the parent company to ensure that the legal entities put in place a series of changes or reactions. Furthermore these analyses will be used to evaluate the impact of mitigation actions implemented in the past and as a base for future strategies and mitigation activities Changes and reactions can lead to the adoption of new Mitigation Actions and improvement of existing ones.
A disciplined approach in monitoring expected losses and implementing remedial actions will ensure consistency with best practice standards, increasing accountability and alignment between business and risk control functions.

**The use of insurance for risk mitigation**

The Operational Risk Management function is involved in the decision process for insurance coverage with analyses regarding the exposure to operational risks, effectiveness of deductibles and of policy limits. It regularly informs management on insurance related matters. The role of the Operational Risk Management function in insurance management is defined in a dedicated Group policy, approved by the Group Risk & Internal Control Committee and by the Group Operational & Reputational Risks Committee.

The latter Committee has an approval function for insurance hedging strategies after joint proposals from the Global Insurance Management function and the Group Operational and Reputational Risks department.

The risks commonly insured in the Group are damages to physical assets, fraud and liability.

On the basis of a risk classification, our Group has insurance policies according to the following forms:

- internal fraud: BBB policy, according to Employee Dishonesty insuring clause;
- external fraud: BBB policy, according to the following insuring clauses: On Premises and In Transit (including loss of property resulting directly from theft&robbery), Forgery or Alteration, Electronic and Computer Crime;
- protection for the personal liabilities of the management including legal expenses: Directors and Officers Liability (D&O) policy;
- employer's liability (E.L.): protection for the Bank against claims for damages suffered by employees;
- third Party Liability policy (TPL): protection for the bank against claims for damages suffered by third parties;
- external occurrences: Property ALL RISKS policy as well as EDP ALL RISKS policy are provided in respect of buildings and other assets extended to natural events, catastrophic losses, vandalism and terrorism, Fine Art policy to cover entrusted or owned works of art.

# Liquidity Risk

Liquidity risk is defined as the risk that the Group may find itself unable to fulfill its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardizing its day-to day operations or its financial condition.

**The key principles**

***The Liquidity Reference Banks***
The Group aims to maintain liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.
To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Group, the Parent Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at the Group-wide level, to ensure that liquidity position of any Entity meets the requirements of the Group.

For these reasons, the Group is organized 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 optimization 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.

Each Liquidity Reference Bank monitors and has oversight over the liquidity positions of the LEs it refers to and ensures that each LE falling within its perimeter has a sufficient level of liquidity to meet its individual and joint obligations as they come due.
A particularly important role is played by the Holding Company, as a "supervisory and overarching liquidity refernce bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Holding Company has the responsibility to set the overall Group Risk Appetite and sub-allocate the limits in agreement with the Liquidity Reference Banks and/or Legal Entities.
The Parent Company, moreover, acts as the Liquidity Centre Italy.

***The principle of "self-sufficiency"***
This organization model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Holding Company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group [27].

As a general rule, the Large Exposure Regime, which came into force on 31 Dec. 2010, limits interbank exposures to a maximum of 25% of own funds: this rule is also applicable to intra-group exposures.
However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the "25% of own funds limit" is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.

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[27] Also Banca d'Italia Rules, Circolare 285, foresees that the Group should ensure the maintainance 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).

In the absence of official limits valid at National level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their National banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.

For these reasons, the “Liquidity Management & Control Group Policy” provides for a further principle in order to enhance a sound liquidity risk management; that is, each Legal Entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition to this, the Group rule states that each LE (including the Liquidity Reference Bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant Liquidity Reference Bank. This self-sufficiency principle is reflected in a specific “limit structure”: limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organization promotes the self-sufficiency of the Legal Entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimizing: i) the liquidity surpluses and deficits within the Group’s legal entities ii) the overall costs of funding across the Group.

***Roles and responsibilities***
At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the “Finance” function, the “Group Planning, Finance, Shareholding And Investor Relations” function, and the “Treasury” function (within the “Markets” Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance, Planning & Capital Management 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).

More specifically, Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group’s Legal Entities, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group Planning, Finance, Shareholding And Investor Relations competence line is responsible for the coordination of the overall financial planning process at Group, Liquidity Reference Banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group’s funding strategy (including securitization 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.

Optimization of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual Liquidity Reference Banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group’s Risk Management to ensure that they comply with the metrics and the objectives of the Group’s liquidity framework.
Moreover, the regional rules must conform to national law and regulatory requirements.

**Risk measurement and reporting systems**

***Techniques for risk measurement***
The different types of liquidity risk managed by the bank are:

- Short Term Liquidity Risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year).
- Market Liquidity Risk is the risk that the bank may face a considerable (and unfavorable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions.
- Intraday Liquidity Risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions".
- Structural Liquidity Risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution.
- contingency risk, or stress liquidity is related to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) 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 (FX) liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (FX refinancing risk) or related with the maturity distribution of the assets and liabilities in FX (FX structural mismatch risk).

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: e.g. loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1Y maturity onwards.

***The Group's liquidity framework***

The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterized 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 fulfill its ordinary and extraordinary payment obligations while minimizing the relevant costs.
- Structural liquidity risk management (structural risk), which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding.
- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks related to the transformation of maturity.

Moreover, the liquidity risk is included in the Group's Risk Appetite framework through some specific liquidity indicators. One of these is the Funding Gap (an improved loans-to-deposits gap), which is calculated on a quarterly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities.

***Short-term liquidity management***

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfill its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilization (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the Liquidity Reference Banks.

The Operative Maturity Ladder is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.

The Operational Maturity Ladder, calculated for all the relevant currencies, is composed of the following building-blocks:

- Primary Gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- Counterbalancing Capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The Counterbalancing Capacity is considered at its "Liquidity Value" (i.e. the Market Value minus the applicable Haircut).
- Cumulative Gap, which is the sum of the previous components.
- Reservation for Unexpected Flows, which consists of liquidity adjustment to the Operative Maturity Ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The Reservation for Unexpected Flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the Counterbalancing Capacity due to observed market price changes.

The Operative Maturity Ladder is included in the Group Risk Appetite Framework, with a limit of 0 on the 3 months bucket.

The Group adopts also the Cash Horizon as a synthetic indicator of the short-term liquidity risk levels. The Cash Horizon identifies the number of days after which the relevant Entity is no longer able to meet its liquidity obligations as expressed in the Operative Maturity Ladder, after having exhausted the available Counterbalancing Capacity.

***Structural liquidity management***
The Group's structural liquidity management aims to limit refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims to avoid 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 minimize costs, by diversifying sources, national markets, currencies of issuance and instruments used (realization of the Yearly Funding Plan).

The main metric used to measure the medium/long-term position is the Structural Ratio.
In general, the Structural Liquidity ratio "1Y Ratio" is calculated as the ratio between liabilities and assets with maturity above one year. All the balance sheet items are mapped according to their contractual maturity, their modelled maturity or according to their specific nature. The internal limit set at 90% means that at least 90% of the assets with a maturity above 1Y have to be financed with liabilities with maturity above 1Y.

The Structural Liquidity Ratio as described above will be dismissed at the end of 2016. It will be replaced by the Net Stable Funding Ratio (NSFR) as described by the Basel III Regulation.

A 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 Stress Test***
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:

- assess the adequacy of 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 an hypothetical, well defined and consistent stress scenario.

***Liquidity scenarios***
At macro level the Group identifies three different types of potential liquidity crisis:

- market (systemic, global or sector) related crisis: market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events related to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group Legal Entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the Committed Lines is considered.

The combined scenario is defined as a general negative development in the market environment and also as a factual or market-hypothesized problem specific to the Group.

During 2016 the Group liquidity stress test result on the combined scenario was always positive.

***Regulatory metrics***
The Group is also adopting Delegated Act (UE) 2015/61 ratios as of Liquidity Coverage Ratio (LCR) and Basel 3 regulatory ratios as of the Net Stable Funding Ratio (NSFR), as integral part of the overall liquidity management analysis. The necessity to meet the LCR and the NSFR requirement is effectively taken into account both in the Group Funding Plan as well as within the Group Risk Appetite framework. As far as the LCR is concerned, please refer to following “Liquidity Coverage Ratio” section.

***Monitoring and reporting***
In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

The Group measures and manages the liquidity risk mainly through different types of restrictions - managerial and regulatory - embedded in risk metrics limits or warning/trigger levels.
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.

**Risk mitigation**

***Mitigation factors***
Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group.
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 (CLP) with feasible and up-to-date Contingency Action Plan (CAP) to be executed in case of crisis;
- a liquidity buffer to face unexpected outflows;
- robust and regular up-to-date stress testing performed on a regular basis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

***Funding Plan***
The Funding Plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The Funding Plan, defined at each level (i.e. Group, Liquidity Reference Bank and Legal Entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position. The Funding Plan is updated at least on a yearly basis and is approved by the Board of Directors. Moreover, it is aligned with the Budgeting process and the Risk Appetite framework.
The Holding Company accesses the market for Group capital instruments.

The Holding Company coordinates the market access of the Liquidity Reference Banks and Legal Entities, while the Liquidity Reference Banks coordinate the access of the Legal Entities falling within their perimeter.
Each Legal Entity or Liquidity Reference Bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialization, safeguarding the optimization of cost of funds of the Group.
Group Planning, Finance, Shareholding And Investor Relations function is responsible for the elaboration of the Funding Plan. Risk Management is responsible for providing an independent assessment of the Funding Plan

***Group Contingency Liquidity Management***
A liquidity crisis is a high impact, low probability event. 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 ability to act in time is essential to minimize the potentially disruptive consequences of a liquidity crisis. The analytics 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 organization may be able to reduce the negative liquidity effects in the initial stages of a crisis.

The liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

The Group contingency liquidity management Global Policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.

This is achieved through:

- a set of early warning indicators that may help to identify emerging vulnerabilities in the Group liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the Contingency Funding Plan. Such a plan consists of a set of potential but concrete management actions to be performed in time of crisis. Such actions are described in terms of sizes, instruments, 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.

***Early Warning Indicators***

A specific Early Warning Indicators dashboard is in place both at the Group and at the relevant legal entities level.
A system of Early Warning Indicators is in place in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. That is, 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.

# Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR), introduced by Basel 3 prudential regulation, is a short time indicator which aims to ensure that credit institutions maintain an adequate liquidity buffer to cover the net liquidity outflows under severe conditions of stress over a period of 30 days.

The regulatory framework applied is represented by:

- with reference to the **requirements** to be met**:**
  - CRR Article 412 "Liquidity coverage requirement";
  - Commission Delegated Regulation (EU) 2016/61 of 10 October 2014 that lays down rules to specify in detail the **liquidity coverage requirement** provided for in CRR Article 412(1).
    In particular, for each year of the transition period, the requirement that all institutions authorized in Italy have to meet is equal to:
    - 70% as from1 January 2016 until 31 December 2016;
    - 80% as from 1 January 2017 until 31 December 2017;
    - 100% as from 1 January 2018;
  - Commission Implementing Regulation (EU) 2016/322 of 10 February 2016 laying down **implementing technical standards** with regard to supervisory reporting of institutions of the liquidity coverage requirement.

- with reference to the **disclosure information to be published**:
  - CRR Article 435 which defines the disclosure requirements for each separate category of risk, including the **key ratios** (letter f);
  - EDTF ("Enhancing the risk disclosures of banks") recommendation n° 4 that requires the disclosure **of key ratios** (included LCR), **once the applicable rules are finalised**;
  - EBA Guidelines 2017/01, published in March 2017 and applicable **from December 31, 2017** relating to the **full set of LCR disclosure.**

The present disclosure is provided in according to the regulatory framework above.
The Liquidity Coverage Ratio is calculated in according to the Commission Implementing Regulation (EU) 2016/322 applied from 1 October 2016; therefore, the information as of December 31, 2015 are not reported.

**Liquidity Coverage Ratio (LCR)**

| Description | 12.31.2016 |
|---|---|
| Liquidity buffer (€ '000) | 132,593,344 |
| Liquidity Coverage Ratio (%) | 132% |

# Liquidity Risk: encumbered and unencumbered assets

**Encumbered and unencumbered assets** (€' 000)

| | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|
| **Assets of the reporting institution** | 226,405,985 | | 683,697,201 | |
| Equity instruments | 3,401,663 | 5,391,496 | 12,577,233 | 12,985,514 |
| Debt securities | 88,120,405 | 90,362,072 | 94,904,576 | 94,509,565 |
| Other assets | 113,494 | | 116,203,404 | |

**Collateral received** (€' 000)

| | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|
| **Collateral received by the reporting institution** | 62,031,890 | 47,144,396 |
| Equity instruments | 713,711 | 4,803,422 |
| Debt securities | 61,351,010 | 41,188,191 |
| Other collateral received | - | - |
| **Own debt securities issued other than own covered bonds or ABSs** | 501,879 | 33,176,620 |

**Encumbered assets/collateral received and associated liabilities** (€' 000)

| | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|
| **Carrying amount of selected financial liabilities** | **193,228,197** | **246,067,673** |

**Notes to the previous tables:**:
Data refer to median values.
Data refer to the prudential scope of consolidation.

In terms of median, the percentage of encumbered assets to the total amount is equal to 25%, mainly due to term Loans and Debt Securities.
The main sources of encumbrance are the Repo activity, the Covered Bonds in issue and ECB refinancing (TLTRO), which account for the most of the total amount.
The encumbered assets mainly relate to UniCredit Spa (which has about the half of it), UniCredit Bank AG and UniCredit Bank Austria AG.
With regards to the collateral received, the median percentage which results encumbered is equal to 57%.
The ratio between the “Assets, collateral received and own Debt Securities issued other than Covered Bonds and ABSs encumbered” and the relevant “Matching liabilities, contingent liabilities and securities lent” amounts to 127%, which is mainly related to over collateralisation agreements on Repos and Covered Bonds issued.

# Liquidity Risk: Liquidity Buffer and Funding Strategies

## Liquidity Buffer

The main tool through which the Group meets its liquidity needs is the Funding Plan, defined for 2016 at Group, Liquidity Centre and relevant legal entity level. The Funding Plan includes the set of medium long term funding instruments to be issued in order to cover the expected funding needs deriving from the evolution of the liquidity uses and sources (including also commercial growth generated by business functions), avoiding pressure on the short term interbank position.

Holding Company Finance functions are responsible for the execution of the medium long term Group's funding strategy (including securitization operations), coordinating the access to national and international capital markets for all the Liquidity Reference Banks exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources.

Holding Company Treasury function is responsible for the financial stability and solvency of the Group. Its primary objective is to fulfill ordinary and extraordinary payment obligations on the short term period, managing the liquidity risk generated by possible unbalances in the Group financial structure, as well as settlement, rate and FX risks. It accesses money markets and coordinates the treasury functions within the Holding company international branches and Liquidity Reference Banks, also for the purpose of making refinancing transactions with the European Central Bank. Moreover, the Holding Company Treasury function acts also as the sole party in the management of the intra-group financial flows linked to net liquidity requirements/surpluses of the banks and companies in the Group.

In order to avoid that short-term liquidity crunch or other unexpected events leading to potentially serious consequences, the Group constantly maintains a liquidity reserve. This is a cushion represented by an appropriate amount of cash, or other highly liquid assets, in relation to the amount of liabilities and expected stress results.
According to the updated version of the Group Policy for Contingency Liquidity Management, if necessary to restore the liquidity positions, the Group Treasury in its role of operative liquidity management function is entitled to monetize the securities belonging to the trading and the banking book, prevailing on any existing business or risk management strategies, as per Article 8 (3 (b)) of the Delegated Act of 10.10.2014 for Liquidity Coverage Requirement for Credit Institutions.

By maintaining cash reserves in money market instruments, unexpected demand on cash does not require the immediate sale of other less liquid securities, which in most cases would not be in the business's or individual's best interest. As reported in the table below, UniCredit Group had € 160.7 billion of aggregate liquidity resources as of 31 December, 2016 that represented around 18% of the total balance sheet.

The most significant liquidity reserves amount to € 110.6 billion (69% of the total liquidity resources) of unencumbered senior bonds eligible at Central Bank, of which € 98.9 billion is in the form of bonds issued or guaranteed by sovereigns, quasi-sovereigns or multinational institutions. A large portion of the sovereign portfolio consists mainly of bonds issued by the Republic of Italy, Spain, Austria and Poland. These bonds are highly liquid and therefore even in a stressed scenario the Group would be able to rapidly obtain cash either via repurchase agreements or outright sales.
In addition within this liquidity buffer, the Group holds a portfolio of highly liquid non-sovereign bonds issued by credit worthy financial institutions, both in senior and covered format, as well as by corporates and public sector entities. This category cumulatively represents close to € 19.8 billion and is eligible for financing with the European Central Bank.

The final major category in the Group liquidity buffer is represented by the retained covered bonds and asset backed securities. These represent € 7.0 billion of liquidity equivalent counterbalancing capacity as they are eligible for the European Central Bank refinancing operations.

Total cash stands at € 34.9 billion and part of it is restricted to being held at the Central Banks. € 20.7 billion of this amount are in the form of minimum required reserves (MRR).

The table refers to 31 December 2016 and does not include the impact from DBRS Italy country rating downgrade occurred in January 2017, whose effect on the counterbalancing capacity liquidity value for the Group is € 3bn on the first day bucket.

The bulk of the liquidity buffer is in Liquidity Center Italy (35.7% of the total). The liquidity available at country level may be transferred to other legal entities within the Group perimeter. The intra-group transfer of liquidity is subject to a set of legal, regulatory and political restrictions (for further details, please refer to the previous "Liquidity Risk" section). The constraints are minor for downstream loans within the same country; they become more stringent for downstream loans with foreign counterparties; and grow further in intensity for upstream loans with foreign counterparties.

(€ '000)

| Liquidity Value (Market Value and applicable Central Bank Haircut) | UniCredit Group | | Italy | | Germany | | Austria | | Poland + CEE | |
|---|---|---|---|---|---|---|---|---|---|---|
| INSTRUMENT TYPE | AMOUNT | % ON TOTAL | AMOUNT | % ON TOTAL | AMOUNT | % ON TOTAL | AMOUNT | % ON TOTAL | AMOUNT | % ON TOTAL |
| **Cash and Balances with Central Banks** | **34,918,432** | **21.73%** | **10,699,468** | **18.67%** | **9,769,793** | **22.05%** | **3,190,813** | **13.59%** | **11,258,358** | **31.65%** |
| *o/w Compulsory Reserve* | *20,715,884* | *12.89%* | *8,828,686* | *15.40%* | *1,190,852* | *2.69%* | *3,025,655* | *12.89%* | *7,670,691* | *21.57%* |
| **Usecured Bonds eligible at Central Bank** | **110,640,092** | **68.86%** | **41,232,296** | **71.94%** | **27,218,433** | **61.42%** | **18,262,632** | **77.78%** | **23,926,731** | **67.27%** |
| *o/w issued or guaranteed by Sovereign, Central Banks or Multilateral Development Banks* | *98,942,254* | *61.58%* | *39,506,484* | *68.93%* | *21,985,993* | *49.61%* | *18,162,141* | *77.35%* | *19,287,635* | *54.23%* |
| *o/w issued or guaranteed by municipalities or other public sector entities* | *852,618* | *0.53%* | *261,468* | *0.46%* | *266,252* | *0.60%* | *-* | *0.00%* | *324,898* | *0.91%* |
| *o/w issued by financial institutions excluding covered bonds* | *9,769,625* | *6.08%* | *1,401,454* | *2.45%* | *4,160,474* | *9.39%* | *369* | *0.00%* | *4,207,328* | *11.83%* |
| *o/w issued by non financial institutions* | *1,075,595* | *0.67%* | *62,890* | *0.11%* | *805,714* | *1.82%* | *100,122* | *0.43%* | *106,869* | *0.30%* |
| | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* |
| **Covered Bonds eligible at Central Bank** | **10,267,017** | **6.39%** | **3,081,126** | **5.38%** | **5,052,668** | **11.40%** | **1,954,243** | **8.32%** | **178,981** | **0.50%** |
| *o/w issued by other banks or financial institutions* | *4,790,371* | *2.98%* | *2,176,326* | *3.80%* | *2,258,611* | *5.10%* | *292,650* | *1.25%* | *62,784* | *0.18%* |
| *o/w issued by their own bank or related unit (retained Covered Bond)* | *5,476,646* | *3.41%* | *904,799* | *1.58%* | *2,794,057* | *6.30%* | *1,661,593* | *7.08%* | *116,197* | *0.33%* |
| | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* |
| **ABS eligible at Central Bank** | **4,645,310** | **2.89%** | **2,298,740** | **4.01%** | **2,274,708** | **5.13%** | **71,861** | **0.31%** | **-** | **0.00%** |
| *o/w issued by other banks or financial institutions* | *3,072,241* | *1.91%* | *725,671* | *1.27%* | *2,274,708* | *5.13%* | *71,861* | *0.31%* | *-* | *0.00%* |
| *o/w issued by their own bank or related unit (self securitizations)* | *1,573,069* | *0.98%* | *1,573,069* | *2.74%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* |
| | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* | *-* | *0.00%* |
| **Other asset eligible at Central Bank** | **202,260** | **0.13%** | **-** | **0.00%** | **-** | **0.00%** | **-** | **0.00%** | **202,260** | **0.57%** |
| **TOTAL** | **160,673,112** | | **57,311,629** | | **44,315,603** | | **23,479,550** | | **35,566,330** | |

With reference to the above figures, the Entities belonging to the Group KOK Finansal Hizmetler - proportionally consolidated in regulatory perimeter – are included through the full consolidation.

# Funding Strategies

## Short Term Funding

Our unsecured funding slightly decreased in 2016 (around 5%) but still very close to our historical highs. The negative components were Interbank Deposits and Puttables bonds, whilst positive ones (almost sufficient to completely offset the former) were French Certificates of Deposits and Euro Commercial Paper. The decrease of our borrowing via deposit is due to the long-lasting slowdown in Money Market activity that affects the banking system while lower amount of Puttables bonds is to be referred to negative rates which entail the necessity to issue above par. LCR needs also negatively impacted markets' liquidity. Investor's yield appetite has allowed us to extend the length of our unsecured funding from 225 days to 306 at a quite stable cost (vs Euribor).

On the secured market, last year was characterized by ample liquidity and a substantial contraction of volumes on the longer tenor. Large liquidity led, toward the end of the year, to a scarcity of bonds with a consequent collapse of rates (German and French GC reached -7%, Italy -0.54% over the turn of the year).

## Medium Long Term Funding

UniCredit Group funding strategy is based on a balanced approach in order to ensure sustainability in terms of market capacity and gather a proper diversification of counterparties, markets and tenor. The Group access to various sources of liquidity from across markets located in different geographies, ensures an appropriate level of liquidity and allows to comply with various regulatory requirements.

Deposits from customers, covered bonds, senior unsecured bonds and own funds represent our most stable funding sources, with deposits from customers representing approximately 69% of the liability structure at the end of 2016.

The combined amount of medium/long term funding realized at Group level during the year has been approximately €19.5 billion. The Funding Plan has been executed using a variety of maturities and structures in order to avoid maturity concentration risk and substantially balance maturities of the existing instruments.

In terms of senior funding, the Group generally utilizes a number of different instruments and channels to access the market: it maintains the advantage to be able to issue out of a number of different issuing entities including UniCredit SpA, UniCredit Bank AG and UniCredit Bank Austria AG, enjoying for all of them a large degree of name recognition with institutional investors having an established track record.

UniCredit SpA in particular has issued at the beginning of 2016 a wholesale market senior "benchmark" bond, with a size of €1 billion, maturity 7 years, Fixed Rate format and later in the year another senior "benchmark" bond with a size of € 1 billion, maturity 10 years in Fixed Rate format.

Furthermore, the various issuing entities have been also very active in the private placement and retail space, attracting the additional demand from both markets.

In terms of subordinated debt, in June UniCredit has issued a wholesale subordinated Tier 2 "benchmark" bond with a size of € 750 million, maturity 10.5 callable after 5.5 years, Fixed Rate. Furthermore, at the end of the year UniCredit has issued also a Perpetual callable after 5.5 Temporary Write Down Additional Tier 1 Notes (AT1) in private placement format for €500 million, distributed to a selected number of international institutional investors.
Further details are included in the chapter "Capital Requirements" paragraph "Capital Strengthening".

A very important part of the Group funding mix is also represented by the collateralized funding, one of the most cost efficient sources of funds. The Group has leveraged on the use of available collateral taking advantage of the different issuing platforms, being also able to attract substantial bilateral funding from Agencies/Supranational Entities.

On the covered bond side, in September UniCredit SpA has issued a new "benchmark" OBG transaction ("Obbligazione Bancaria Garantita"), with a size of €1 billion, 10 year maturity in Fixed Rate format. On top of that in March UniCredit Bank AG, has issued at the beginning of the year a new institutional market Covered Bonds ("Pfandbrief"), with a size of €1 billion, 6 years maturity in Fixed Rate format.

In addition, a frequent issuance activity of Covered Bonds in Private Placement format is performed especially out of the German and Austrian platforms, contributing to reduce the funding cost for the Group.

**Liabilities Structure - Breakdown by maturity** (€ '000)

| INSTRUMENT TYPE | OUTSTANDING | % ON TOTAL | 1m | 3m | 6m | 1y | 2y | Over |
|---|---|---|---|---|---|---|---|---|
| Depos from Banks | 117,548,846 | 14.89% | 48,609,004 | 12,344,070 | 7,283,944 | 5,738,939 | 3,231,197 | 40,341,692 |
| *o/w Secured* | *22,180,596* | *2.81%* | *13,815,223* | *3,344,617* | *1,884,610* | *1,836,146* | *550,000* | *750,000* |
| Depos from Customers | 543,223,494 | 68.83% | 442,493,024 | 32,740,090 | 14,353,588 | 16,659,127 | 14,862,316 | 22,115,348 |
| *o/w Secured* | *61,777,082* | *7.83%* | *49,367,342* | *9,987,877* | *1,973,088* | *448,775* | - | - |
| Subordinated | 16,092,559 | 2.04% | - | 663,633 | 64,733 | 989,137 | 3,124,689 | 11,250,367 |
| *o/w Retail* | *4,659,627* | *0.59%* | - | - | *64,733* | - | *851,688* | *3,743,206* |
| Senior Unsecured | 67,892,557 | 8.60% | 750,673 | 5,048,426 | 2,779,874 | 12,069,709 | 10,199,358 | 37,044,517 |
| *o/w Retail* | *24,057,289* | *3.05%* | *412,744* | *2,423,702* | *771,008* | *6,399,201* | *3,657,305* | *10,393,329* |
| CD/CP | 7,516,839 | 0.95% | 9,826 | 66,935 | 787,752 | 5,480,998 | 30,642 | 1,140,687 |
| *o/w Retail* | *1,171,396* | *0.15%* | *9,826* | *12,101* | *71,675* | *3,113* | *27,642* | *1,047,040* |
| Covered Bonds | 36,569,444 | 4.63% | 91,127 | 870,775 | 1,313,646 | 2,138,643 | 4,339,013 | 27,816,239 |
| ABS | 405,810 | 0.05% | - | - | - | - | - | 405,810 |
| Other | - | 0.00% | - | - | - | - | - | - |
| **TOTAL** | **789,249,549** | | **491,953,654** | **51,733,929** | **26,583,537** | **43,076,553** | **35,787,216** | **140,114,660** |

**Liabilities Structure - Breakdown by currency** (€ '000)

| INSTRUMENT TYPE | OUTSTANDING | % ON TOTAL | EUR | USD | GBP | CHF | JPY | Other |
|---|---|---|---|---|---|---|---|---|
| Depos from Banks | 117,548,846 | 14.89% | 91,454,743 | 16,494,582 | 1,279,322 | 295,740 | 41,222 | 7,983,237 |
| *o/w Secured* | *22,180,596* | *2.81%* | *19,072,187* | *1,413,585* | - | *142,134* | - | *1,552,691* |
| Depos from Customers | 543,223,494 | 68.83% | 433,736,119 | 31,526,602 | 1,388,547 | 631,573 | 82,503 | 75,858,150 |
| *o/w Secured* | *61,777,082* | *7.83%* | *61,250,477* | *17,444* | *151* | *30* | - | *508,979* |
| Subordinated | 16,092,559 | 2.04% | 12,235,736 | 3,467,105 | 135,417 | - | 59,342 | 194,959 |
| *o/w Retail* | *4,659,627* | *0.59%* | *4,659,627* | - | - | - | - | - |
| Senior Unsecured | 67,892,557 | 8.60% | 60,459,155 | 3,439,404 | 8,419 | 309,060 | 40,519 | 3,636,000 |
| *o/w Retail* | *24,057,289* | *3.05%* | *23,550,739* | *231,735* | - | - | - | *274,815* |
| CD/CP | 7,516,839 | 0.95% | 7,423,223 | 9,487 | 11,642 | 4,656 | - | 67,831 |
| *o/w Retail* | *1,171,396* | *0.15%* | *1,132,950* | - | - | - | - | *38,446* |
| Covered Bonds | 36,569,444 | 4.63% | 35,702,516 | - | - | - | - | 866,928 |
| ABS | 405,810 | 0.05% | - | 405,810 | - | - | - | - |
| Other | - | 0.00% | - | - | - | - | - | - |
| **TOTAL** | **789,249,549** | | **641,011,492** | **55,342,991** | **2,823,348** | **1,241,029** | **223,585** | **88,607,104** |

With reference to the above figures, the Entities belonging to the Group KOK Finansal Hizmetler - proportionally consolidated in regulatory perimeter – are included through the full consolidation

# Leverage

Basel 3 prudential regulation required the calculation, reporting, and publication of Leverage Ratio that will be a risk-based requirements with an additional "backstop" measure.

The main leverage ratio objectives are:
- restricting the build-up of leverage in the banking sector;
- enhancing the capital ratios with a further, simple and not risk based measure.

The ratio is calculated according to the "*Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio".*

The abovementioned regulation amends CRR article 429, complying with "*Basel III leverage ratio framework and disclosure requirement*[28]*",* issued in January 2014.

The final calibration and potential further amendments, will be completed within the end of 2017, with the aim to migrate the leverage ratio to a Pillar 1 requirement starting from January,1 2018.
During the transitional period the BCBS will monitor a 3% minimum requirement.

The present disclosure is performed with the application of the "*Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council".*

**Content**

CRR article 429 defined the leverage ratio as the **Bank's capital measure divided by the total exposure** and it is expressed ad percentage between:
- **Tier 1 Capital**;
- the total exposure, calculated as sum of all **assets and off-balance sheet items** not deducted when determining the Tier 1 capital measure.

The total exposure includes (the below mentioned Articles refer to CRR):

- **Derivatives** – calculated according to the Current Exposure Method as per Article 274, or, as an alternative, the Original Exposure Method as per Article 295; if specific conditions set by the Delegated act are met, received cash variation margins can be exclude from the exposure. Written Credit Derivatives are calculated by including the Fully Effective Notional amount, reduced by the fair value changes that have been incorporated in Tier 1 Capital. If specific conditions are met the resulting exposure value may be further reduced by the effective notional amount of purchased credit derivatives.
- **Security Financing Transactions (SFT)** [29]– calculated as sum of 2 components: the counterparty credit risk exposure, i.e. the exposure net of collateral (and not including the haircut), and the accounting value of the SFT asset; if specific conditions are met, it is possible to determine the exposure value of cash receivable and cash payables on a net basis.
- **Off-balance Sheet Exposure** – calculated, according to Article 111 as nominal amount not reduced by specific credit risk adjustments and by applying the Standardized Approach for RWA calculation credit conversion factors.
- **Other Asset** – calculated, according to Article 111, as accounting value reduced by specific credit risk adjustments, additional value adjustments and other own funds reductions related the asset item; if specific conditions set by the Delegated act are met, cash variation margins provided for derivatives transactions can be exclude from the exposure.

The following figures refer to the Leverage Ratio calculated by applying the transitional rules.

[28] See "Basel III leverage ratio framework and disclosure requirements" http://www.bis.org/publ/bcbs270.htm.
[29] Security Financing Transactions are repurchase transactions, securities or commodities lending or borrowing transactions and margin lending transactions.

## Quantitative Information

The following table shows the Leverage Ratio as of December, 31 2016 and the breakdown of the exposure by main categories, according to CRR Articles 451(1)(a), 451(1)(b) and 451(1)(c).

**Table LRCom: Leverage ratio common disclosure**

(€' 000)

| | | 12.31.2016 | 12.31.2015 |
|---|---|---|---|
| | **On-balance sheet exposures (excluding derivatives and SFTs)** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 772,745,926 | 764,662,343 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (5,286,495) | (5,784,656) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **767,459,431** | **758,877,687** |
| | **Derivative exposures** | | |
| 4 | Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin) | 18,410,534 | 17,547,246 |
| 5 | Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method) | 17,909,015 | 18,515,877 |
| EU-5a | Exposure determined under Original Exposure Method | - | - |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | - | - |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (5,270,109) | (4,716,279) |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | - | - |
| 9 | Adjusted effective notional amount of written credit derivatives | 28,626,276 | 34,388,199 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | (20,971,188) | (27,051,009) |
| **11** | **Total derivative exposures (sum of lines 4 to 10)** | **38,704,528** | **38,684,034** |
| | **Securities financing transaction exposures** | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 67,544,352 | 72,627,828 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (14,320,641) | (6,525,831) |
| 14 | Counterparty credit risk exposure for SFT assets | 8,922,894 | 5,180,892 |
| EU-14a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013 | | - |
| 15 | Agent transaction exposures | | - |
| EU-15a | (Exempted CCP leg of client-cleared SFT exposure) | | - |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 15a)** | **62,146,605** | **71,282,889** |
| | **Other off-balance sheet exposures** | | |
| 17 | Off-balance sheet exposures at gross notional amount | 316,398,618 | 330,156,537 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (215,622,243) | (229,065,050) |
| **19** | **Other off-balance sheet exposures (sum of lines 17 to 18)** | **100,776,375** | **101,091,487** |
| | **Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)** | | |
| EU-19a | (Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)) | - | - |
| EU-19b | (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)) | - | - |
| | **Capital and total exposures** | | |
| **20** | **Tier 1 capital** | **35,004,850** | **44,920,064** |
| **21** | **Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)** | **969,086,939** | **969,936,097** |
| | **Leverage ratio** | | |
| **22** | **Leverage ratio** | **3.61%** | **4.63%** |
| | **Choice on transitional arrangements and amount of derecognised fiduciary items** | | |
| EU-23 | Choice on transitional arrangements for the definition of the capital measure | **Transitional** | **Transitional** |
| EU-24 | Amount of derecognised fiduciary items in accordance with Article 429(13) of Regulation (EU) No 575/2013 | - | - |

The following table shows the reconciliation between the total Leverage Ratio Exposure (denominator) and the Accounting balance sheet values, according to the CRR Article 451(1)(b).

**Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures** (€' 000)

| | | 12.31.2016 | 12.31.2015 |
|---|---|---|---|
| 1 | Total assets as per published financial statements | 859,532,774 | 860,433,375 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | 26,561,469 | 27,003,299 |
| 3 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013) | - | - |
| 4 | Adjustments for derivative financial instruments | (12,149,153) | (15,764,121) |
| 5 | Adjustments for securities financing transactions (SFTs) | (1,627,540) | 2,021,501 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 100,776,375 | 101,091,487 |
| EU-6a | (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013) | - | - |
| EU-6b | (Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013) | - | - |
| 7 | Other adjustments | (4,006,986) | (4,849,444) |
| **8** | **Total leverage ratio exposure** | **969,086,939** | **969,936,097** |

**Note:**
The item 7 "Other Adjustments" includes:
- Regulatory Adjustments related to Tier 1Capital regarding Balance Sheet Assets (transitional definition);
- Accounting Off-setting on Other Asset.

The following table shows, for exposures other than Derivatives and SFTs, the breakdown by exposure class, according to CRR Article 451(1)(b).

**Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)** (€' 000)

| | | CRR leverage ratio exposures 12.31.2016 | CRR leverage ratio exposures 12.31.2015 |
|---|---|---|---|
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **772,745,926** | **764,662,343** |
| EU-2 | Trading book exposures | 30,153,566 | 31,341,223 |
| EU-3 | Banking book exposures, of which: | 742,592,360 | 733,321,112 |
| EU-4 | Covered bonds | 3,076,478 | 3,733,378 |
| EU-5 | Exposures treated as sovereigns | 201,501,061 | 199,345,196 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns | 8,334,239 | 8,964,164 |
| EU-7 | Institutions | 34,753,070 | 38,363,913 |
| EU-8 | Secured by mortgages of immovable properties | 123,782,561 | 123,692,434 |
| EU-9 | Retail exposures | 67,710,983 | 68,453,566 |
| EU-10 | Corporate | 206,025,794 | 195,648,388 |
| EU-11 | Exposures in default | 34,645,940 | 40,029,247 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 62,762,234 | 55,090,826 |

**<u>Qualitative information</u>** *<u>(according to the CRR Article 451 (1) letter d), e))</u>*

***Description of the factors that had an impact on the leverage ratio during the period***

The leverage ratio, calculated on a Transitional base, stands at 3,61% as at December 31, 2016, decreasing by 1,02% (rounded) from 4.63% as at December 31, 2015. In particular the decrease is due to:

- Tier 1 Capital reduction of 9.9 billion, with a negative impact on ratio of 1.023%:
- Total Exposure reduction of 0.8 billion, with a positive impact on ratio of 0.003%.

With regard to the evolution of the ratio:

- for the reasons of the change of Tier 1 Capital (-1.023%) refer to the “Own Funds” chapter;
- the change of Total Exposure (-0.003%) is mainly driven by the following elements:
  - On balance Sheet (excluding Derivatives and SFT) increase of 8.5 billion (-0.032%);
  - SFT decrease of 9.1 billion (+0.0034%);
  - Derivatives increase of 2 billion (-0.01%);
  - Off-balance sheet decrease of 0.3 billion (+0.001%).

***Processes used to manage the risk of excessive leverage***

Group Risk Appetite Framework represents the foundation for risk management within UniCredit Group. This framework envisages comprehensive governance, processes, tools and procedures for the widespread management of risks.
The Leverage risk is included in the Group Risk Appetite framework therefore the relevant procedures and resources are applied to this kind of risk.

The quantitative tools to assess the Leverage risk are coming from Group Risk Appetite KPIs that include also the Leverage Ratio metric. This KPI has its own targets, triggers and limit levels that are periodically monitored within the regular reporting activity. The monitoring and the periodical reporting is submitted to the Group Risk Committee (on a quarterly basis) and to the Holding Company Board of Directors.

The Group Risk Appetite process identifies the governance mechanism, managerial involvement and escalation process under normal and stressed operating conditions. The defined escalation process is activated at relevant organizational levels in order to ensure an adequate reaction when triggers or limits are breached.

Maturity mismatches and asset encumbrance are closely monitored and managed. Existing control mechanisms ensure a timely identification of potential dangers affecting, among others, also the risk of excessive leverage.

The risk generated by the maturity mismatch is monitored through the use of the structural liquidity ratio, calculated on a monthly basis. This is the ratio between the cumulated medium long term liabilities and the cumulated medium long term assets. It indicates the portion of assets, with a tenor longer than 1 year funded by liabilities with a similar tenor.
The metric is inserted in the Risk Appetite Framework and in the set of granular liquidity limits and, as such, subject to a specific escalation process.

Asset encumbrance is monitored, through the counterbalancing capacity. The sum between the counterbalancing capacity and the cumulative sum of the cash inflows and outflows maturing between the overnight and one year (primary gap) represents the operative maturity ladder: it indicates, for each time bucket, the excess of the unencumbered assets over the cumulated liquidity needs of the bank.
This metric is included in the set of granular liquidity limits and, as such, it is subject to a specific escalation process.

# Remuneration and incentive systems and practices

## QUALITATIVE DISCLOSURE

### 1. GOVERNANCE AND COMPLIANCE

Our compensation governance model aims to assure clarity and reliability of remuneration decisional processes by controlling group-wide remuneration practices and ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaranteeing appropriate disclosure in full respect of the general principles defined by regulators.

### 1.1 REMUNERATION COMMITTEE

**Role of the Remuneration Committee**

and for the design of incentive plans. As established in the Board's Charter, the Remuneration Committee consists of 5 non-executive members, the majority of whom are independent in accordance with the Articles of Association. The Chairman of the Board of Directors is a member of the Committee by right. The activities are coordinated by the Chairman, chosen among independent members.

The Remuneration Committee is currently composed of independent members: Mr. Alessandro Caltagirone (Chairman), Mrs. Henryka Bochniarz and Mr. Alexander Wolfgring and of non-executive members Mr. Giuseppe Vita and Mr. Anthony Wyand.

All members of the Committee in its current composition are independent according to the article 148, paragraph 3 of the Decreto Legislativo n.58/98 ('Testo UniCo della Finanza' 'TUF') and the majority of the members (3 out of 5) meet the requirements of independence described in the 'Codice di Autodisciplina' for listed companies ('Codice'), which coincide with the ones given in the Articles of Association. All members meet the requirements of professionalism, in accordance with current normative and regulatory dispositions. Some members have specific technical know-how on the matters overseen by the Committee, some in particular have developed experience in the accounting and finance areas.

The connection with risk issues is ensured by the presence, in the Remuneration Committee, of three members of the Internal Controls and Risk Committee, including the current Chairman and the previous Chairman of the same Committee.

The Chairman of the Board of Directors is a member of all Board Committees, including the Remuneration Committee. This approach has been evaluated as a sign of sound governance, given that it guarantees that the Chairman is informed in a timely and proper manner on all topics submitted to the Board of Directors.

It is also noted that the Chairman of the Board of Directors has a role of strategic representation within the group and towards the Regulator as well, with constant and full-time commitment. He does not hold an executive role and has not received any operational delegation of power. His remuneration is set in line with the complexity of the role, reflects the dimensions and the scope of the group and is in line with legal and regulatory provisions.

In the table at the end of the chapter, details on the independence of the members of the Committee are provided, in accordance with the 'Codice' and the Articles of Association, as well as with the art. 148, par.. 3, of the 'Decreto Legislativo n.58/98' of 'TUF').

Within the scope of its responsibilities, the Remuneration Committee:
- Formulates proposals to the Board on remuneration of members of the Board of Directors, the General Manager, Deputy General Managers, the Heads of Company Control Functions and the personnel whose remuneration and incentive systems are decided upon by the Board;
- With regard to the CEO's earnings, serves in an advisory capacity in terms of setting the performance targets associated with the variable portion of the CEO's remuneration;
- Acts in an advisory capacity on setting criteria for remunerating the most significant employees, as identified pursuant to applicable Bank of Italy provisions;
- Issues opinions to the Board of Directors on the remuneration policy for Senior Executive Vice Presidents, the Executive Vice Presidents and the Senior Vice Presidents;
- Issues opinions to the Board of Directors on the group incentive schemes based on financial instruments proposed by the Board;
- Issues opinions to the Board of Directors on the remuneration policy for corporate officers (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) at group companies;
- Directly supervises the correct application of rules regarding the remuneration of the Heads of internal control functions, working closely with the Board of Statutory Auditors;

- Works with the other committees, particularly the Internal Controls and Risks Committee in relation to the tasks assigned to the same with regard to the verification that the incentive contained in the compensation and incentive schemes are consistent to the Risk Appetite Framework (RAF), ensuring the involvement of the corporate functions responsible for drawing up and controlling remuneration and incentive policies and practices;
- Provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting;
- Where necessary drawing on information received from relevant corporate functions, expresses an opinion on the achievement of the performance targets associated with incentive schemes, and on the checking of the other conditions set for bonus payments.

No member of the Committee takes part in the meetings during which his/her own remuneration is proposed to the Board of Directors.

**Activities of the Committee in 2016**

In 2016 the Remuneration Committee met 10 times. The meetings had an average duration of about one hour. From January 2017 to March 2017, 3 meetings of the Committee have been held and for 2017 it is expected that the Committee will meet 7 times. Each meeting of the Remuneration Committee is placed on record by the Secretary designated by Committee itself.

The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors. The meetings of the Committee may be attended by the members of the Statutory Auditors.

In 2016 the members of the group's senior management team, and among them - as per Bank of Italy request - the Heads of the Risk (Chief Risk Officer) and Internal Audit, attended Committee meetings with regard to specific issues reported in the table above. Moreover, the Group Head of Human Resources always attended all the meetings as a guest.

The Remuneration Committee had access to all the information and corporate functions as required for performing its duties, and for this purpose relies on the support of the corporate head office structures.

In 2016 the Remuneration Committee has availed itself with the services of PricewaterhouseCoopers (PwC), external independent advisor, who provides advice on compensation practices and trends, as well as up-to-date remuneration benchmarking studies. It has been evaluated in advance that such an advisor is not in any position which might impair its independence.
PwC has collaborated with the Committee since the end of 2015. The representatives of these advisors were regularly invited to attend meetings to discuss specific items on the Committee's agenda.

During the year, the spending requirements of the Committee are met by its own specific budget, which may be supplemented to meet specific needs. In particular in 2016, by means of its budget, the Remuneration Committee was able to get the advice of independent advisors to gather the updated information needed for the decisional processes.

The following table summarizes the composition of the Committee in 2016 and, in addition to the information on the independence of the members, provides details regarding their attendance to the meetings that have been called during the year.

**REMUNERATION COMMITTEE (YEAR 01/01/2016 - 31/12/2016)**

| OFFICE | NAME | INDEPENDENCY ACCORDING TO CODE | NOT EXECUTIVE | OFFICE COVERED (C = Chairman, M = Member) | NR. OF MEETINGS ATTENDED | % OF PARTICIPATION |
|---|---|---|---|---|---|---|
| MEMBERS IN OFFICE | | | | | | |
| Chairman | Caltagirone Alessandro | X | X | C (1) | 8 | 80,0% |
| Chairman of the BoD | Vita Giuseppe | | X | M (2) | 9 | 90,0% |
| Director | Bochniarz Henryka | X | X | M | 9 | 90,0% |
| Director | Wolfgring Alexander | X | X | M | 10 | 100,0% |
| Director | Wyand Anthony | | X | M (3) | 9 | 90,0% |

(1) Chairman of the Remuneration Committee since May 13, 2015
(2) Chairman of the Remuneration Committee until May 12, 2015
(3) Office held since May 13, 2015

## 1.2 THE ROLE OF COMPANY CONTROL FUNCTIONS: COMPLIANCE, RISK MANAGEMENT AND AUDIT

Group Compliance function's key contributions in 2016 included:

- validation of the 2016 Group Compensation Policy submitted to the Board of Directors for subsequent approval at the Annual General Meeting on April 14, 2016;
- validation of the 2016 Group Incentive System for Identified Staff;
- preparation – in collaboration with Human Resources function – and distribution of group guidelines for the development and management of 2016 incentive systems for below Executive population;
- participation in specific initiatives of Human Resources function (e.g.: review of KPI Bluebook; review of definition of Identified Staff for the application of Group Incentive System);
- analysis of specific non-standard compensation within the 2016 cycle.

In 2017, the Compliance function will continue to operate in close co-ordination with the Human Resources function to support in the validation and in the design and definition of compensation policy and processes and perform the validation for profiles in scope.

The link between compensation and risk has been maintained also in 2016 with the involvement of the Risk Management function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite Framework, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within group incentive systems.

**Internal Audit report on the 2016 Remuneration policies and practices**

Internal Audit performed the annual audit on the Group variable remuneration system as requested by Bank of Italy.

The audit aimed at verifying the design, implementation and effects of the remuneration process, as well as its compliance with relevant regulatory requirements and Group internal rules. The audit scope included also: Identified Staff definition process, bonus pool definition and distribution process, procedures to respect the variable/fixed remuneration caps, payment and deferral phase of previous year incentive system, assessment of severance and non- standard compensation, as well as a follow-up of previous audit and regulatory inspection recommendations.

Main audit results were presented to the Remuneration Committee on 9th March 2017.

The Internal Audit satisfactory evaluation was based on the overall correct application of the 2016 Group Incentive System and UniCredit Remuneration Committee/Board of Directors relevant decisions.

The assessment performed for defining Identified Staff resulted substantially compliant with regulatory requirements, nonetheless a more homogeneous approach should be followed across the Group.

Internal Audit verified the substantial alignment of severances paid in 2016 with the Termination Payments Group Policy and severance guidelines issued in 2015.

## 2. CONTINUOUS MONITORING OF MARKET TRENDS AND PRACTICES

Key highlights of total compensation policy defined this year with the support of continuing external benchmarking and trends analysis provided by the independent external advisor to the Remuneration Committee include:

- the definition of Identified Staff compensation policy, with particular reference to the design of the group incentive systems for 2017
- the recommendations on remuneration based on specific benchmarking analysis versus our defined peer group to inform any decision.

The peer group is subject to annual review to assure its continuing relevance.

During the second part of 2016, the European peer group has been reviewed, defined on grounds of similarity (additional to the market capitalization) in terms of:

- dimensions
- complexity and business model
- reference markets with respect to clients, talents and capitals
- risk profile
- legal, social and economic framework

In particular, Commerzbank and ING have been included in the UniCredit peer group, while Credit Suisse and HSBC have been excluded from the group.

| 2016 UNICREDIT PEER GROUP | |
|---|---|
| Banco Santander | Deutsche Bank |
| Banque Populaire CE | ING |
| Barclays | Intesa Sanpaolo |
| Banco Bilbao Vizcaya Argentaria | Nordea Bank |
| BNP Paribas | Royal Bank of Scotland |
| Commerzbank | Société Générale |
| Credit Agricole | UBS |

## 3. GROUP COMPENSATION SYSTEMS

### 3.1 TARGET POPULATION

Starting as early as 2010, UniCredit conducted every year, in alignment with specific regulation, the self-evaluation process to define the group’s Identified Staff population to whom, according to internal/external regulation, specific criteria for remuneration/incentive aspects are adopted.

Starting from 2014 the assessment process for the definition of Identified Staff followed the criteria defined in the Regulatory Technical Standard of European Banking Authority (RTS)[30].

In particular, it is pointed out that the assessment process provides for the inclusion within the Identified Staff population of the employees with banding equal or higher than “Senior Vice President”, as defined in the Global Job Model - the classification system of roles adopted by group.

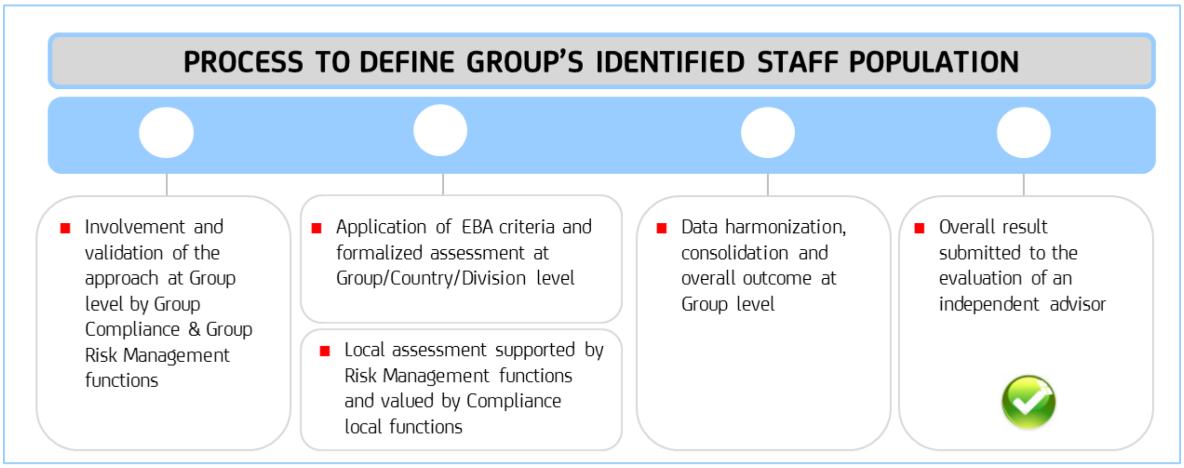
For 2016, the assessment process documented into 2016 Compensation Policy, brought to the identification of ca. 1,050[31] resources. Throughout the full year 2016, the list of the group Identified Staff has been subject to continuous update, taking into account the resource turnover and the banding review process.

With regard to the 2017 process, Identified Staff population has been reviewed on March 2017 guaranteeing the full compliance with the regulatory requirements[32].
Also for this year, the definition of Identified Staff followed a structured and formalized assessment process both at group and local level, internally inflected on the basis of specific guidelines provided by Group Human Resources function, with the involvement of Group Risk Management and Group Compliance, in order to guarantee a common standard approach at group level.

At process level, the control functions mentioned above have been appropriately involved both at local and central level for their respective areas of competence.

The recognition of employees with significant impact on the group's risk has taken into account the role, the decision-making power related to the managerial responsibility and, in addition, the total compensation level.

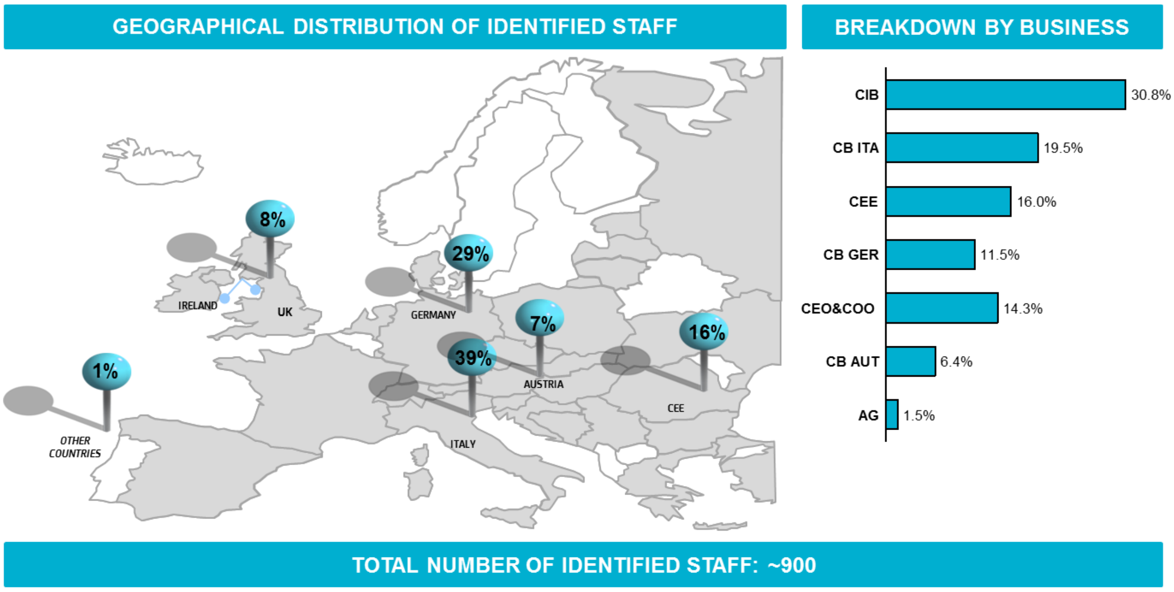
[30] European Banking Authority (EBA) Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile under Article 94 (2) of Directive 2013/36/EU
[31] Information included in the document reflects the classification under IFRS5 of Pioneer and Bank Pekao, accounted as "Held for Sale" from December 2016. Data restated accordingly
[32] It should be noted the last EU Decision 2015/2218 of the European Central Bank at 20th November 2015, regarding the exclusion procedure for the staff members who may have a significant impact on the risk profile of a supervised credit institution ( ECB / 2015/38)




In March 2017 the assessment process for the definition of Identified Staff population, evaluated by an external independent advisor, brought to the identification of a total number of approximately 900 resources.

As a result of the analysis and as approved by the Board of Directors, upon Remuneration Committee proposal, the following categories of staff have been reconfirmed for 2017 as Identified Staff: Group CEO, Group Executives responsible for day-to-day management (General Manager, Senior Executive Vice Presidents and Executive Vice Presidents), executive positions in Company Control Functions (Audit, Risk Management, Compliance and Human Resources) and executive positions in Finance, as they are responsible at group level for strategic decisions which may have a relevant impact on the bank's risk profile. Furthermore, Senior Vice President (SVP) population, Board Members, Senior Management and other specific roles in Group's Legal Entities have been included in the definition of Identified Staff, as per the current regulatory criteria.

Target population represents approximately ca. 0.8% of the group employee population, with this outcome being in line with the results of 2016 process.




*Note: Identified Staff data refer to the population as per March 2017, providing for an ex-ante definition in line with Regulatory requirements*

*For further details on the target population, refer to the 2017 Group Compensation Policy, published on the UniCredit website, in the section dedicated to 2017 Shareholder's Meeting.*

## 3.2 RATIO BETWEEN VARIABLE AND FIXED COMPENSATION

In compliance with applicable regulations, it is not changed - for the personnel belonging to the business functions - the adoption of a **maximum ratio**[33] **between variable and fixed remuneration of 2:1.**

For the rest of the staff a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the staff of the **Company Control Functions**, for which it is expected **that fixed remuneration is a predominant component of total remuneration** and incentive mechanisms are consistent with the assigned tasks as well as being independent of results from areas under their control.

For these functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directive 2013/36 / EU in the various countries in which the group operates34, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professionalism and capacity adapted to the needs of the group.

The adoption of a ratio of 2:1 between variable and fixed compensation must not have any implications on the bank's capacity to continue to respect all prudential rules, in particular capital requirements.

This approach allows UniCredit to maintain a strong link between pay and performance, as well as competitiveness in the market. Our main peers have also taken the same approach in order to limit the effects of the un-level playing field in markets where the cap is not present, to avoid the rigidity of the cost structure derived from a possible increase of fixed costs and to guarantee the alignment with multi-year performance, through deferring a relevant component of the variable compensation.

## 3.3 2016 INCENTIVE SYSTEM IMPLEMENTATION AND OUTCOMES

The 2016 System, approved by UniCredit Board of Directors on January 13, 2016, provides for a 'bonus pool' approach that directly links bonuses with company results at group and country/division level and ensure a strong connection between profitability, risk and reward.
Such a system, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares over 6 years.

**Bonus pool sizing**
The bonus pools dimension for each of the 10 clusters[35] is related to the actual profitability measures multiplied for the bonus pool funding rate defined in the budgeting phase. This calculation determines the so called "theoretical bonus pool" for each cluster that is adjusted accordingly to the actual trend of performance of the respective segment.

**2016 Entry conditions at Group and local level**
In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set at both local and group level as Entry Conditions. In particular, risk metrics and thresholds for the 2016 Group Incentive System as defined within the Entry Conditions - that confirms, reduces or cancels upfront and deferred payouts - include:

| ENTRY CONDITIONS OF 2016 GROUP INCENTIVE SYSTEM | |
|---|---|
| GROUP | LOCAL |
| - NOP adjusted ≥ 0 and<br>- Net Profit ≥ 0 and<br>- Common Equity Tier 1 Ratio Transitional ≥ 10% and<br>- Liquidity Coverage Ratio > 75% | - NOP adjusted ≥ 0 and<br>- Net Profit ≥ 0 |

[33] As approved by the Annual General Meeting of May, 13th 2014.
[34] In particular, fort he Identified Staff of Italian Company Control Functions, the ration between the variable and the fixed components of remuneration could not exceed the limit of 1/3, as per BankIT provision (Circolare n. 285 17 Dec 2013), 7th update of November, 18 2014.
[35] Information included in the document reflects the classification under IFRS5 of Pioneer and Bank Pekao, accounted as "Held for Sale" from December 2016. Data restated accordingly

- **NOP adjusted** to measure profitability, Net Operating Profit adjusted excluding income from buy-back of own debt and from the fair value accounting of own liabilities.

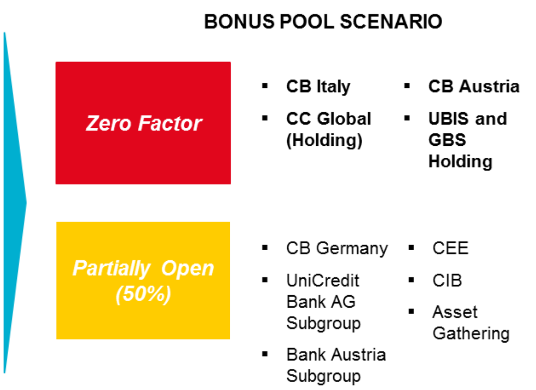
- **Net Profit** to measure profitability, considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon the Remuneration Committee's proposal.

- **Common Equity Tier 1 ratio transitional** that ensures the alignment with the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes also the 0,25% buffer set for systemically relevant banks for 2016.

- **Liquidity Coverage Ratio** that ensures that bank maintains an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors.

According to the actual results, approved by the Board of Directors on March 13, 2017[36], the relevant entry conditions had not been achieved at group level as reported below:

| | ENTRY CONDITIONS | ACHIEVEMENT |
|---|---|---|
| GROUP | NET PROFIT ≥ 0 €/mn | - € 11,790 mn |
| | CET 1 RATIO TRANS ≥ 10% | ✓ * |
| | NOP ADJUSTED ≥ 0 €/mn | - € 5,858 mn |
| | LIQUIDITY COVERAGE RATIO > 75% | ✓ |
| EACH BONUS POOL | **ALL above "ENTRY CONDITIONS"…** | ✓ |
| | ***…excepingt for Commercial Banking Italy, Commercial Banking Austria, Corporate Center Global (Holding), UBIS and GBS Holding*** | ✗ |




* In the Financial Report 2016 CET 1 Ratio Transitional is reported as equal to 8.15%. Considering capital increase effects, the value at December 2016 would be equal to 11.49%. CET 1 fully loaded would be equal to 11.15%.

At country/division level, entry conditions:
- had been achieved by Asset Gathering, Commercial Banking Germany, CEE, CIB, Bank Austria Subgroup, UniCredit Bank AG Subgroup
- had not been achieved by Commercial Banking Italy, Commercial Banking Austria, Corporate Center Global (Holding), UBIS e GBS Holding

**2016 Group Incentive System rules application**

Based on the different scenarios deriving from entry conditions assessment, 2016 Group Incentive System rules had been applied.

In particular, for the pools in "Zero factor" scenario-Commercial Banking Italy, Commercial Banking Austria, Corporate Center Global (Holding), UBIS e GBS Holding:
- malus condition had been activated by applying Zero factor to Executives and Identified Staff population
- for the population which is not Identified Staff, bonus pool had been decreased by 40%
- with reference to the Identified Staff belonging to Company Control Functions, in order to keep an adequate level of independence, a maximum 50% reduction 50% of the bonus pool had been provided, according to *Disposizioni di Vigilanza*[37] provisions
- in order to maintain the minimum pay levels need to play in the market, a discretional bonus pool had been allocated to 4% of identified Staff

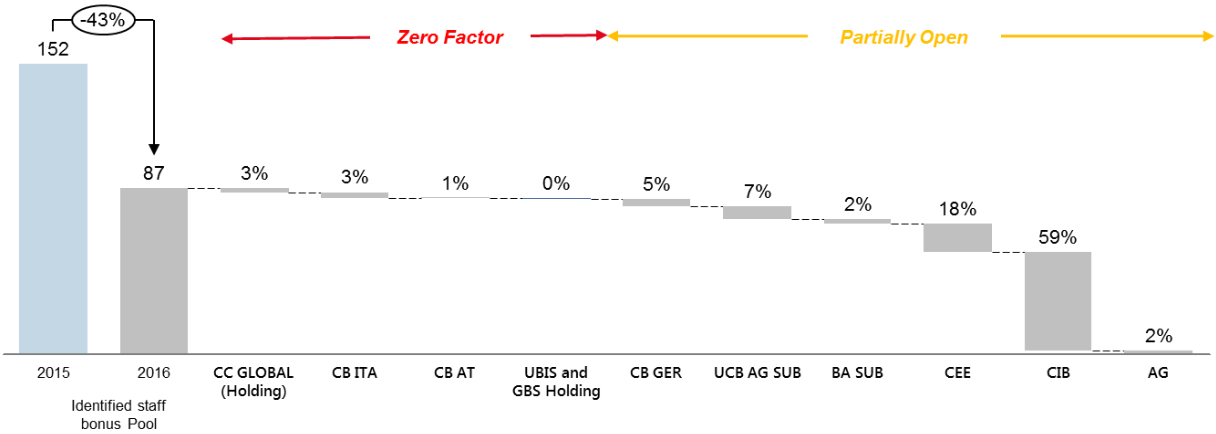
[36] The Board of Directors on March 13th acknowledge the communication of ECB of March 6th confirming full compliance to regulatory requirements after share capital increase conclusion.
[37] Bonus pool for Company Control Functions can be phased out to zero only in presence of an exceptionally negative situations, with an approval process including a governance step in the Board of Directors.

In particular, for the pools in "Partially open" scenario- Asset Gathering, Commercial Banking Germany, CEE, CIB, Bank Austria Subgroup, UniCredit Bank AG Subgroup:

- theoretical bonus pool had been reduced by 50%, as group entry conditions were not achieved
- new theoretical value had been adjusted within 50-125%, based on the assessment of the overall economic and risk sustainability evaluated by Group CFO and CRO through the dashboards[38].The combined evaluation of the CRO and CFO metrics resulted in a positive assessment on economic and risk sustainability for all pools
- based on the previous points, considering the positive performance of each segment versus the assigned budget and the fact that group 2016 results embedded not recurring items related to Plan Transform 2019 execution, the Board of Directors resolved a discretional adjustment on the whole equal to 5% of the total, for the population which is not dentified Staff of all segments, excluding CIB.

**Bonus pool distribution by segments**

The results of the above mentioned steps has brought to the following distribution of the bonus pool for the Identified Staff population (ca. 1,050 resources).




For 2016, UniCredit Board of Directors has taken into consideration the Remuneration Committee's proposals and regulatory guidelines regarding variable remuneration.

The assessment related to remuneration decisions, similar to past years, has been supported by a strict group governance process in order to guarantee consistency and transparency from all parties involved in the decision-making process.

The total amount of variable compensation for Identified Staff, is sustainable given the bank's financial position and does not limit bank's ability to hold an adequate level of capital and liquidity.

Upon the assessment of achievement level for goals defined for 2016 and subsequent governance step in the Board of March, 13th 2017 it the allocation of ca. 3 mn UniCredit ordinary shares was promised to ca. 434 Identified Staff to be distributed in 2019, 2020, 2021 and 2022. The actual allocation of the last three installments is subject to the application of Zero Factor for 2019, 2020 and 2021 respectively. Therefore, the 2016 Group Incentive System would entail an expected impact on UniCredit share capital of approximately 0,14%, assuming the achievement of group performance thresholds based on Zero Factor

*For further details on the execution of the 2016 Group Incentive System and the deferrals of previous years' Plans, refer to the attachment to 2017 Group Compensation Policy, published on the UniCredit website, in the section dedicated to 2017 Shareholder's Meeting.*

[38] CRO and CFO dashboards considers respectively -risk indicators linked to Group Risk Appetite Framework, to evaluate the risk sustainability at Group and country/division level and -performance indicators connected with the Strategic Plan, to evaluate the economic sustainability over the time.

**Evaluation and payout for Chief Executive Officer and General Manager**

With reference to 2016, the CEO, has announced during the Capital Markets Day held in London on December 13, 2016 to present to analysts and investors the 2016-2019 Strategic Plan Transform 2019, his willingness to renounce to any variable compensation.

In line with group governance, 2016 assessment and payment for the CEO, General Manager and other Executives with strategic responsibilities perimeter have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee as relevant.

On March 13, 2017 the Board of Directors, considering group 2016 results, while expressing its sincere appreciation for the work done by the Management also in relation with the in depth strategic review that brought to the presentation and the launch of the implementation of the 2016-2019 Strategic Plan Transform 2019, resolved not to proceed with any bonus 2016 payment for the CEO, General Manager and the other Executives with strategic responsibilities perimeter[39], independently from individual performance assessment.

To be thorough, the Performance Screen 2016[40] of the CEO and the General Manager include the following indicators referred to group perimeter:

- Economic Profit (EVA)
- Stay within Risk Appetite Framework
- Common Equity Tier 1 ratio fully loaded
- GOP/RWA
- Stakeholder Value: Customer satisfaction (TRI*M external); People Engagement, Reputation
- Execution of strategic plan
- Tone from the top on conduct and compliance culture, also coherent with FSB guidelines

**2016 variable and fixed compensation for Chief Executive Officer and General Manager**

As for 2016 it was not envisaged any incentive pay out, 2016 remuneration for the CEO and the General Manager is composed by fixed component only.

The CEO yearly fixed remuneration for 2016 was equal to € 2m, including director's remuneration. It had been paid as pro rata for the period July 12, 2016 - December 31, 2016 for the amount of € 948,462.

Effective from January 1, 2017, CEO fixed remuneration has been reduced by 40%, consistent with his request to the Board of Directors and as he announced to the market at the Capital Markets Day in London on December 13, 2016.
With reference to 2016, the General Manager received a total fixed remuneration of € 1.2 m, of which € 400.000 as pro-rata related to General Manager position.

**Local coordination and specific programs**

The elements of the Group incentive system are fully applied across the entire Identified Staff population, with local adaptations based on specific regulations and / or business specifics, consistent with the overall group approach.

Being fully compliant with the principles of the incentive plans, local adaptations allow the achievement of the same results if the implementation of the group plan should have some adverse effects (legal, tax or other) for the group companies and/or beneficiaries residing in countries where the group is present.

Implementation approach of group incentive plans for Identified Staff fully complies with Bank of Italy requirements and European guidelines, and at the same time considers:

- local needs to adopt alternative solutions as necessary according to local regulators
- annual Audit, in each jurisdiction, on the implementation of the incentive systems
- further needs to introduce corrective measures to address local specificities, with focus on the reconciliation of local differences and home/host regulatory roles.

In this regard, a specific authorization had been granted to the Chairman and the Chief Executive Officer to make appropriate changes for the implementation of the Plan, that do not alter the substance of the resolution of the Board of Directors and the Shareholders' Meeting.

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[39] The Board of Directors resolved not to pay any incentive for 2016 also for the previous CEO and Deputy General Manager COO whose employment contracts ended in 2016.
[40] From July 12, 2016 for the CEO and September 1, 2016 for the General Manager

The main adjustments authorized by the shareholders regarding the implementation of the Group System concerned the use of financial instruments different than the UniCredit shares, for Zagrebacka Banka in Croatia, Bank Pekao in Poland and FinecoBank in Italy. These changes were implemented considering specific requests formulated by local regulators (such as the Croatian National Bank for Croatia or the Financial Supervision Authority in Poland).

In addition, consistency with the exercise of the powers granted to the Chairman and the Chief Executive Officer, these changes were subsequently authorized and adjustments which primarily impact threshold limits for deferral and the percentage of payments distribution were made. These are, in any case, more restrictive than those of the group align with the use of local instruments and performance indicators rather than those of the group, in line with specific recommendations received from the local Authorities.

For the general employee population, specific systems are implemented, considering market local practices.

## 3.4 2017 GROUP INCENTIVE SYSTEM

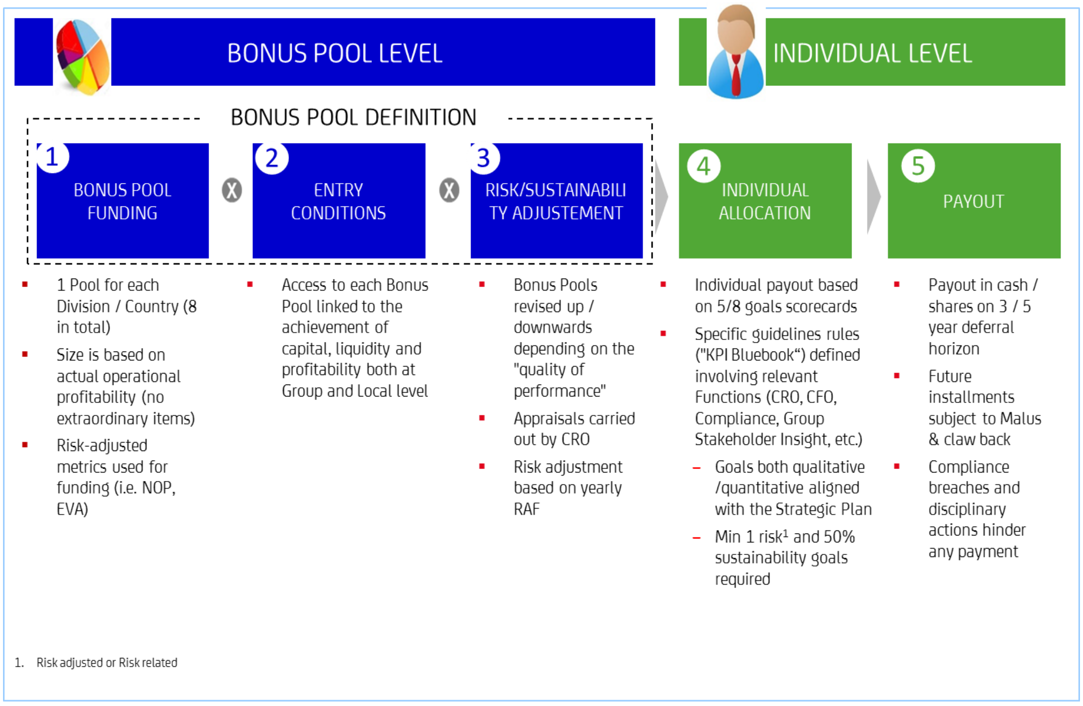
In line with past years, the 2017 Group Incentive System, as approved by UniCredit Board of Directors on January 10, 2017, is based on a bonus pool approach which takes into consideration most recent national and international regulatory requirements and links bonuses with company results at group and country/division level, ensuring a strong connection between profitability, risk and reward. In particular, the system provides for:

- the definition of 8 [41]bonus pools for each country/division, whose size depends on actual profitability
- allocation of a variable incentive defined on the basis of the determined bonus pool
- a malus clause (Zero Factor) which applies in case specific thresholds of profitability, capital and liquidity are not met at both group and country/division level
- risk adjusted measures in order to guarantee long term sustainability, regarding company financial position and to ensure compliance with regulations
- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and/or shares, to be paid over a period of up to 6 years
- distribution of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods

| 2017 BONUS POOL CLUSTER | |
|---|---|
| Asset Gathering | Commercial Banking Austria |
| CEE | Commercial Banking Germany |
| CEO & COO Functions | Commercial Banking Italy |
| CIB | UniCredit Bank AG Subgroup |

[41] Bonus pool structure had been reviewed considering the classification under IFRS5 of Pioneer and Bank Pekao, accounted as "Held for Sale" from December 2016 and the centralization of CEE subholding in UniCredit S.p.A.

The 2017 Incentive System is based on the following methodology:




## BONUS POOL FUNDING

- The bonus pools are initially proposed during the budgeting phase for every cluster as a percentage of their respective Funding KPI (e.g. Net Operating Profit). In such a definition the following elements are considered: historical data analysis, expected profitability, business strategy, previous year pool, internal and external benchmarking. The budget is submitted to the approval of UniCredit Board of Directors
- The bonus pools set for each cluster are adjusted accordingly to the intra-annual trend of the respective funding KPI, with 1st, 2nd and 3rd quarter forecast being affected by performance trends
- Bonus pools are based on the risk weighted results of each country/division, in line with overall group performance, considering the assessment of both group and country risk sustainability.

## ENTRY CONDITIONS

Specific Entry Conditions set at both group and country/division level.

The combined evaluation of the entry conditions at group and local level define 4 possible scenarios that allows the confirmation to increase, reduce or cancel the bonus pool for each cluster.

The malus condition (Zero Factor) will apply in case the specific metrics on profitability, capital and liquidity are not achieved both at group and local level (box A of the matrix included in the scheme “Entry Conditions definition”). Specifically, the Zero Factor is applied to the Identified Staff population[42], whereas for the non-Identified Staff population, a significant reduction will be applied.

Moreover, at individual level it will be also considered the respect of provisions of law, group’s compliance rules, Company policies or integrity values, Code of Conduct and the application of claw-back clauses, as legally enforceable.

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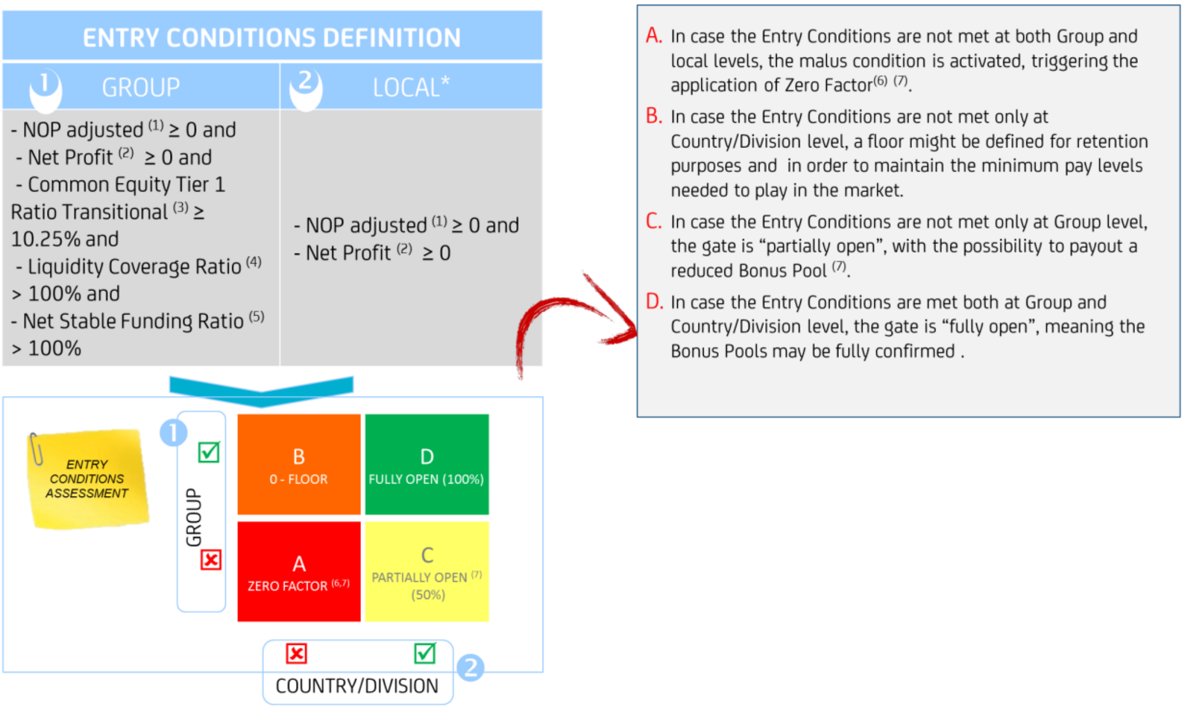
[42] The Bonus Pool of 2017 will be zeroed (for Identified Staff), while deferrals of previous year systems could be reduced from 50% to 100% of their value, based on the entity of loss both at Group & Local level and CRO assessment based on positioning vs. RAF.

In case the Entry Conditions are not met at country/division level, but at group level they are met (box B of the matrix included in the scheme “Entry Conditions definition”), a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market.




*(1) NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities*
*(2) Net Profit stated in the Balance Sheet, excluding any extraordinary items as considered appropriate by the Board of Directors upon Remuneration Committee proposal*
*(3) CET 1 Ratio transitional: ensures to maintain a buffer equal to 0.25% on top of the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes, in addition to Pillar 1 and Pillar 2 minimum, the combined buffer requirement applicable in 2017 and the Pillar 2 guidance. The Pillar 2 guidance has been set additional risks under stress conditions, and a failure to meet this threshold does not automatically trigger actions by Authorities (4) Liquidity Coverage Ratio: it aims to ensure that the bank maintains an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors (5) Net Stable Funding Ratio: is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long term perspective, the sustainability terms of maturities between asset and liabilities. In detail: the ratio between Available of Stable Funding – ASF (The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities; the amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts) e Required Stable Funding – RSF (The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories listed. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of Off Balance Sheet activity -or potential liquidity exposure- multiplied by its associated RSF factor).*
*(3), (4) and (5) In case of issues with capital and/or liquidity requirements at Legal Entity level, the related Bonus Pool size could be impacted, even if the Entry Conditions at Group level are fully satisfied.*
*(6) For Executive & Identified Staff population. For the other employees, a significant reduction will be applied. In any case, the Board of Directors can provide the CEO the possibility to allocate a separate and discretional pool for retention purposes only, subject to local relevant governance bodies' decision, eventually including a positive feedback from ECB, if required (e.g. in a scenario of CET1r < threshold, in a context of a capital contingency plan defined with ECB)*
*(7) In case Entry Conditions are not met at Group Level, no bonus pay out is envisaged for the Group CEO and General Manager and all the Senior Executive Vice Presidents, irrespective of Country or area of activity.*
** In case a division/segment, which is part of a Legal Entity with positive net profit and adequate capital ratios, has a budget less than 0, the local entry conditions would refer to this value*

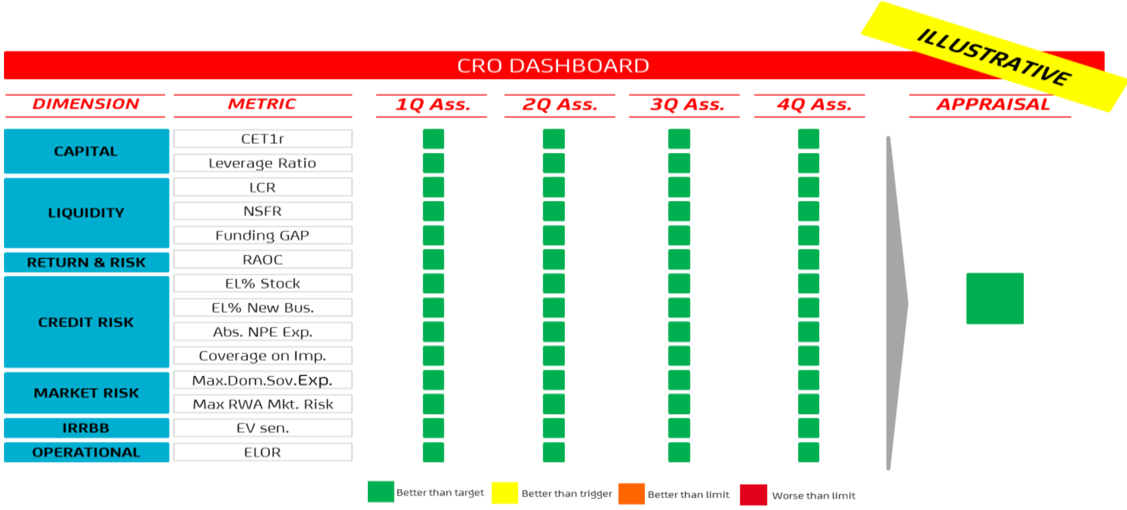
## ADJUSTMENTS BASED ON SUSTAINABILITY AND RISK

In order to ensure consistency with the Group Risk Appetite Framework and the economic sustainability of the group's and country / division results over time, the bonus pool may be revised up /downwards, on the basis of the overall "quality of performance".

As some performance and sustainability KPIs are already included within RAF (e.g. ROAC), while others, aligned to the Strategic Plan, are reflected in the Performance Screens of Senior Executive Vice Presidents and lower levels (for further details see par. 5.4), in order to avoid double counting, for 2017 the methodology had been simplified by envisaging only Group CRO assessment. Moreover, it is envisaged the presentation by Group CFO to the Remuneration Committee about each segment results.

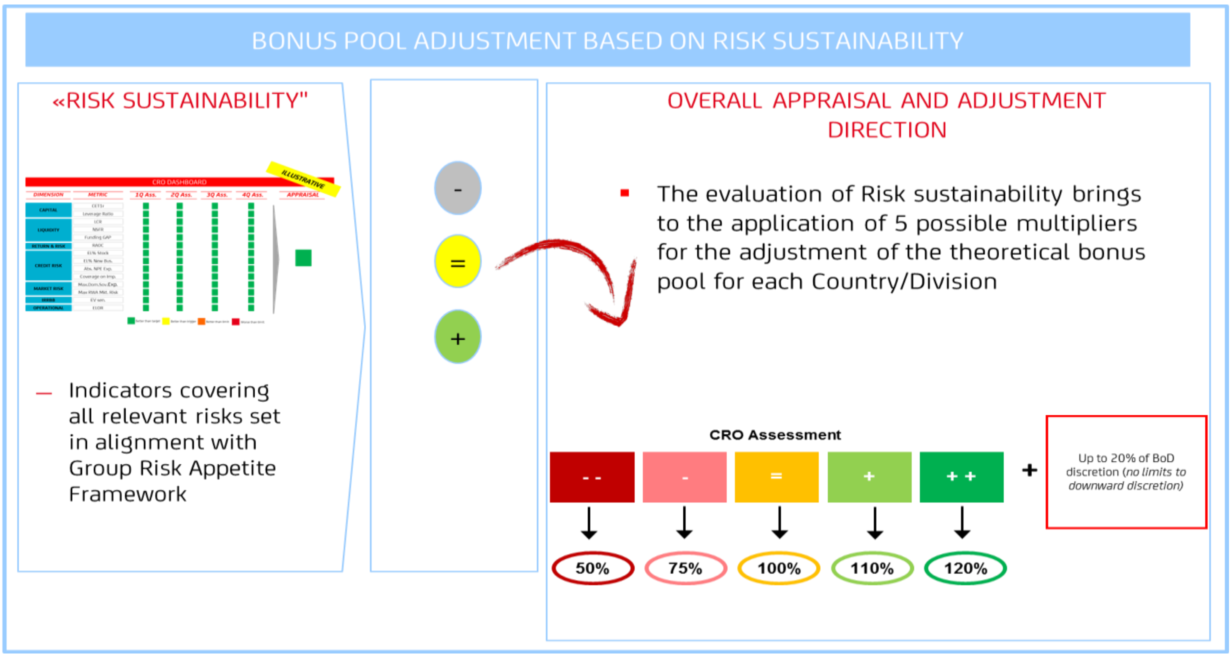
The group and local risk dashboards include indicators covering all relevant risks, such as credit, market and liquidity and the risk position assumed, the adherence to regulatory requirements and the relationship between risk and profitability. The specific metrics are measured with reference to the respective relevant thresholds (limit, trigger and target), established in line to the Group Risk Appetite Framework.

By way of example, the standard structures of Risk dashboard are shown below:




For each bonus pool cluster, the CRO Group function provides an overall assessment on the dashboards and the combined evaluation brings to the definition of a 'multiplier' to be applied to entry condition in order to define the maximum adjustment to each bonus pool.

The application of a further discretional range up to +20% in the faculty of Board of Directors is foreseen with respect to the theoretical value, while there is no limit to a downward discretionary adjustment of the bonus pool.




In case the Entry Conditions are not met only at group level, the gate is "partially open", with the possibility to payout a reduced Bonus Pool (minimum reduction of 28%[43]), excepting for the Group CEO and General Manager and all the Senior Executive Vice Presidents, irrespective of country or area of activity.

In case the Entry Conditions are met both at group and country/division level, the gate is "fully open", meaning the Bonus Pools may be fully confirmed or even increased (up to max 144%[44]), in case of a positive performance on the Risk and Financial sustainability dashboard.

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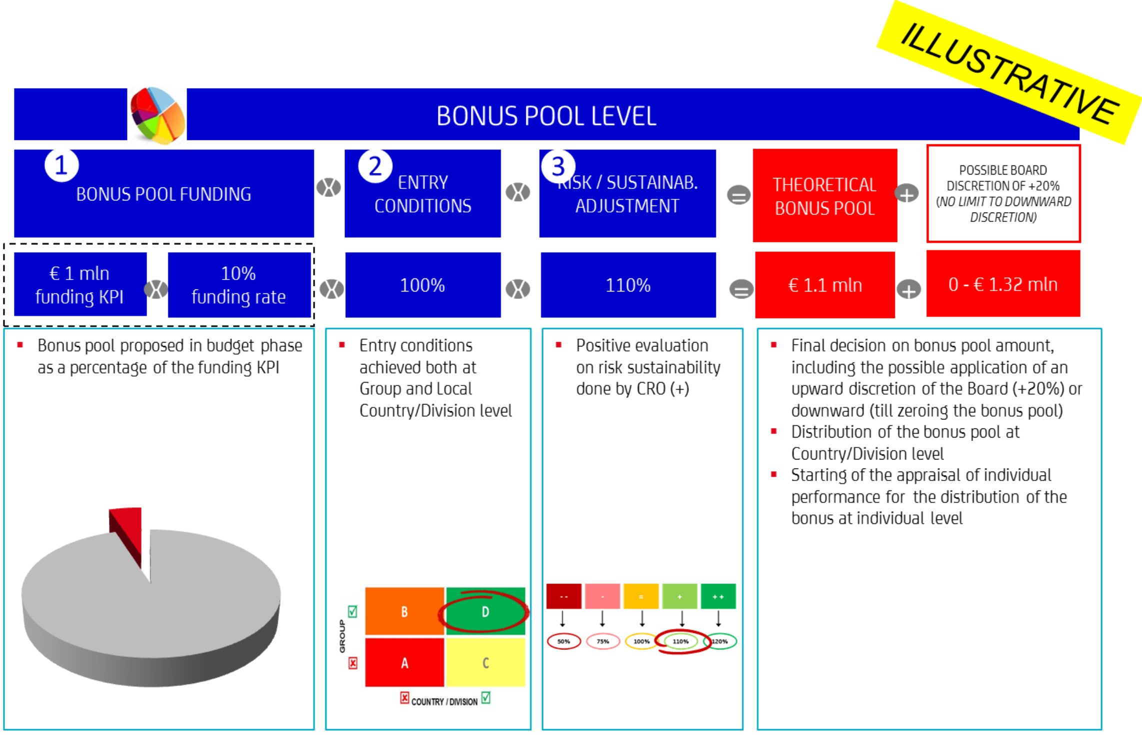
[43] Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the Theoretical one (50%*120%CROdashboard+ 20%Bod discretion)
[44] Maximum scenario achievable in case of positive CRO assessment and using all the Board of Directors' discretion to approve a bonus pool max +20% of the Theoretical one (100%*120%CROdashboard+ 20%Bod discretion)

In any case, as requested by regulations as per Bank of Italy "Disposizioni", the final evaluation of group sustainable performance parameters and the alignment between risk and remuneration will be assessed by the Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors have the possibility  not to take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment).

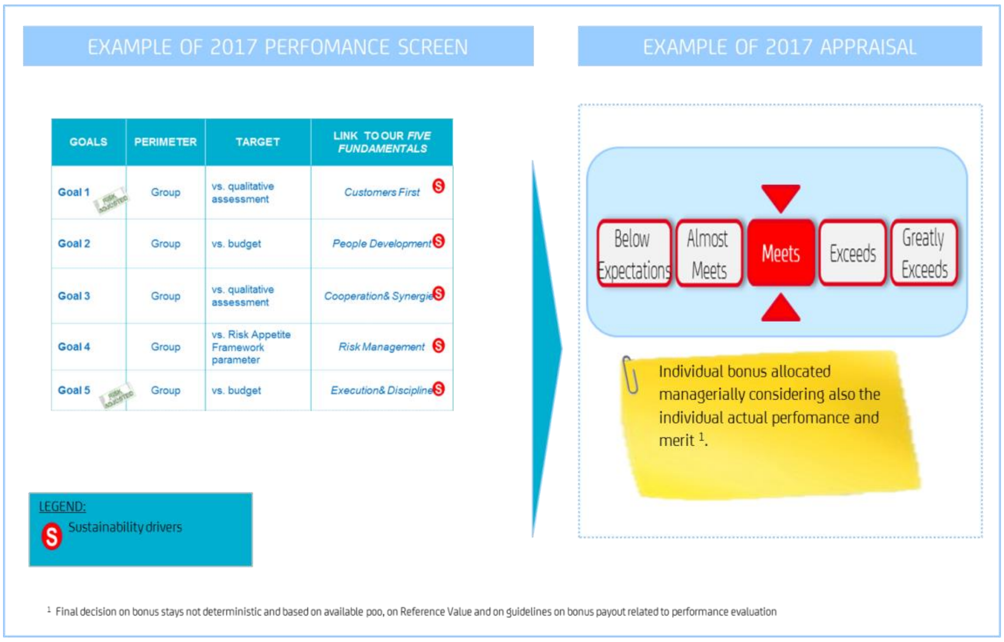
Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the group, the company or the market in which it operates, the Board of Directors, having heard the opinion of the Remuneration Committee, maintains the right to amend the system and relevant rules, consistently with the overall setup approved by the Annual General Meeting.

**Example on Bonus Pool Definition**

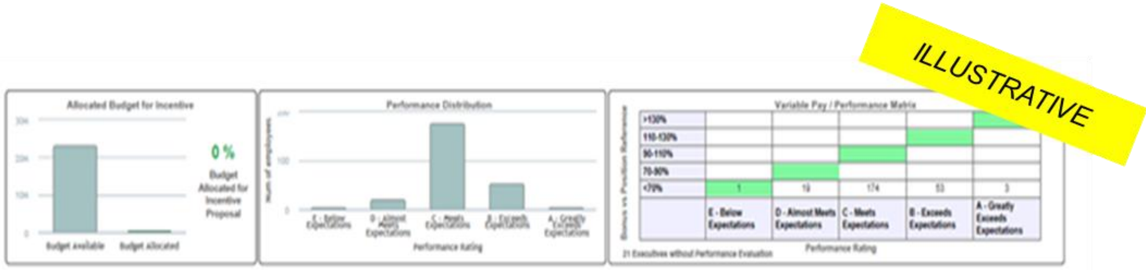


## INDIVIDUAL ALLOCATION

- For each position of Identified Staff population a specific "Reference Value" is defined which considers the internal and/or external benchmarking analysis on similar roles, the seniority, the maximum ratio between variable and fixed compensation as approved by Annual General Meeting. Such value is adjusted according the actual available bonus pool and represents the starting point for the individual bonus allocation
- Individual bonus will be allocated managerially, considering the individual performance appraisal and the above mentioned Reference Value
- Individual performance appraisal is based on 2017 Performance Screen: minimum 5 individual goals (suggested max. 8) assigned during the performance year, selected from our catalogue of main key performance indicators (KPI Bluebook) and based on our "Five Fundamentals"[45] . In particular, from 4 to 6 goals from the catalogue and based on priorities and annual strategies of group/business/division (weight 70%) and from 1 to 2 goals possibly customized by business/division (weight 30%) are envisaged.
- Competencies and behaviors considered as relevant are taken into account by the manager for the overall performance appraisal.
- The goals appraisal system is based on a 1-5 rating scale with a descriptive outcome.




Particular attention is dedicated to the level of correlation between bonus proposed and actual performance both at the bonus proposal step and consolidation phase:




[45] Our "Five Fundamentals" are the main pillars of our "One bank, One UniCredit" culture and are at the basis of the UniCredit Competency Model that describes those behaviors that are expected from all UniCredit people and through which all employees are assessed in performance management processes. Our "Five Fundamentals" are: *Customers First, People Development, Cooperation & Synergies, Risk Management, Execution & Discipline*.

## PAYOUT

As approved by the Board of Directors of January, 10th 2017, with reference to payout structure, the Identified Staff population will be differentiated into two clusters, using a combined approach of banding and compensation:

FOCUS

REGULATORY REQUIREMENTS

- The payment structure of 2017 incentive system has been defined in line with the provisions included in the "Disposizioni" of Bank of Italy issued on November 2014:
  - 5-year deferral period maintained only for Top Management and specific key senior roles. In general a deferral period from 3 to 5 years is required, and the request for 5 years is limited to "high earners", Top Management and Heads of key business lines
  - minimum 50% of bonus to be allocated in shares or other financial instruments
  - minimum 40% of bonus to be paid out under a deferral period (minimum 60% for specific positions and particularly high amounts).
  - 2 years minimum retention period for the upfront shares and shorter retention period (1 year) for the deferred shares.

1. for Executive Vice President (EVPs) and High Earner (with a bonus >= 500k) a deferral scheme of 5 years is applied, consisting in a payout structure of 6 years in total[46]
2. for Senior Vice President (SVPs) and other Identified Staff (with a bonus < 500k) a deferral scheme of 3 years is applied, consisting in a payout structure of 5 years in total.

The payout of incentives will be done through upfront and deferred installments, in cash or in UniCredit ordinary shares, up to a 6-year period:

- in 2018 the first installment of the total incentive will be paid in cash in absence of any individual values / compliance breach[47]
- the remaining part of the overall incentive will be paid in cash and/or UniCredit ordinary shares
  - 2019-2023 for Executive Vice President (EVPs) and High Earner (with a bonus >= 500k)
  - 2019-2022 for Senior Vice President (SVPs) and other Identified Staff (with a bonus < 500k)
- each further tranche will be subject to the application of the Zero Factor for the year of reference and in absence of any individual/values compliance breach[1]
- additional retention period will be applied , 2 years on upfront shares and 1 year for deferred shares

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| *EVP & ABOVE & OTHER IDENTIFIED STAFF WITH BONUS ≥500K* | PERFORMANCE YEAR | 20% UPFRONT CASH | 10% DEFERRED CASH | 20% UPFRONT SHARES | 10% DEFERRED SHARES | 10% DEFERRED SHARES | 20% DEFERRED CASH<br>10% DEFERRED SHARES |
| *SVP & OTHER IDENTIFIED STAFF WITH BONUS <500K* | PERFORMANCE YEAR | 30% UPFRONT CASH | 10% DEFERRED CASH | 30% UPFRONT SHARES | 10% DEFERRED CASH<br>10% DEFERRED SHARES | 10% DEFERRED SHARES | |

*Pay out view, including also retention period applied to upfront/deferred shares*

[46] Including other direct reports to strategic supervisory, management and control bodies and other Identified Staff as required by local regulation

[47] Considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities)

- All the installments are subject to the application of claw-back conditions, as legally enforceable
- The number of shares to be allocated in the respective installments shall be defined in 2018, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board resolution that evaluates 2017 performance achievements
- The Board of Directors could establish to assign free UniCredit ordinary shares that will be freely transferable at the end of the shares retention period, or in the year of the assignment, but subject to restrictions on the transfer for the foreseen shares retention period (a retention period on upfront shares of 2 years and of 1 year for deferred shares).In line with national market practices, a minimum threshold will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications
- 2017 Group incentive system provides for an expected impact on UniCredit share capital of approximately 0.72%, assuming that all free shares for employees have been distributed. The overall dilution for all other current outstanding group equity-based plans equals 1.75%
- The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

## 3.5 COMPREHENSIVE PERFORMANCE MANAGEMENT

The 2017 Group Incentive System is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, while encouraging and rewarding desired behaviours and risk orientation.

Our performance management process ensures all Identified Staff know what is expected of them and includes a rigorous review of their goals achievements.

Starting from 2010, a specific process is performed annually with the involvement of key relevant functions (Human Resources, Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder insight) to review the so-called KPI Bluebook.

The KPI Bluebook serves as the framework for the definition of KPI aligned to business strategy, compliant with regulatory requirements and consistent with UniCredit corporate values and Group Competency model. Therefore it supports the employees and their managers in the definition of individual Performance Screen.

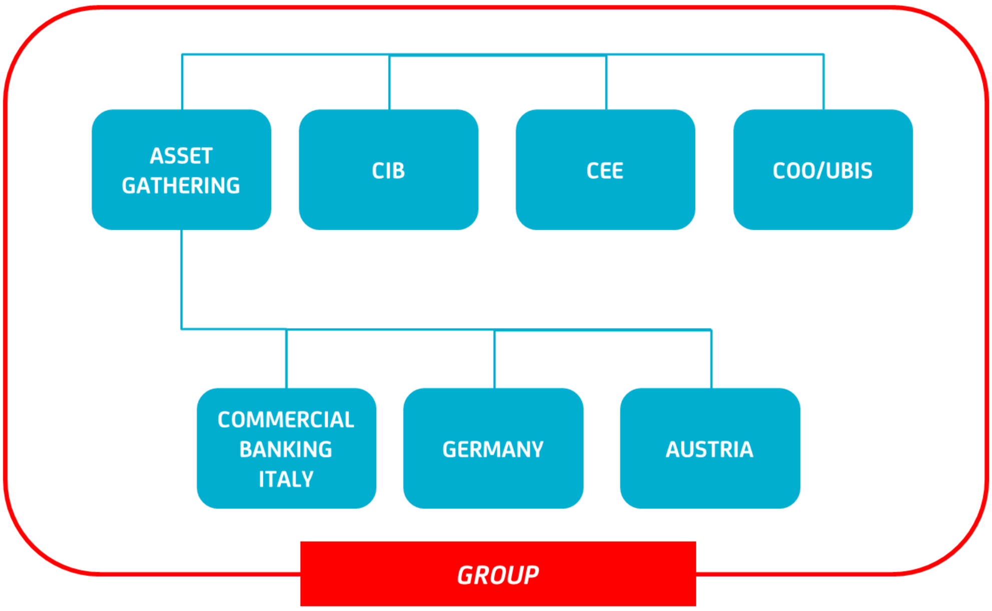
KPI Bluebook includes a list of indicators certified at group level, as well as specific guidelines related to:

- the selection of goals based on annual priorities and goals possibly customized by business/division
- the use of risk-adjusted goal (e.g. select at least one KPI belonging to “Risk category” or related to risk management / risk –adjusted profitability)
- the use of sustainability objectives ( e.g. at least half of the goals should be related to sustainability)
- balance use of financial and non-financial criteria, taking into account the single role’s specificities. At least one KPI should be non-financial
- the definition of the target of reference, in case objectives not included in certified list are selected( e.g . use clear and pre-defined parameters for future evaluation of performance)
- the selection of goals for the Company Control Functions, in order to ensure their independence (e.g. avoid KPIs linked to economic measure, use KPIs independent of results of monitored areas to avoid conflict of interests).

The KPI Bluebook maps some categories of core drivers that include a list of goals (KPI Dashboard):

| MAIN CORE DRIVERS CATEGORIES | EXAMPLES OF KPIs FOR EACH CATEGORY |
|---|---|
| Value Creation | VALUE CREATION<br>– Revenues/Clients<br>– Return On Allocated Capital<br>– Risk Adjusted Capital Efficiency<br>– Revenue on new business<br>– ... |
| Risk and Capital Governance | RISK AND CAPITAL GOVERNANCE<br>– CET1 ratio fully loaded<br>– New Business EL<br>– Performing Stock EL<br>– Δ Gross NPE yoy<br>– ... |
| Clients | CLIENTS<br>– Net New Clients<br>– Improvement of Internal Service Quality (ISQ)<br>– Reputation Index<br>– External Customer Satisfaction index<br>– ... |
| Industrial levers | INDUSTRIAL LEVERS<br>– Operating costs<br>– Cross- selling excellence (CSE)<br>– ... |
| Human Capital | HUMAN CAPITAL<br>– Talent Management and Succession Planning<br>– People Engagement Index<br>– ... |
| Compliance Culture | COMPLIANCE CULTURE<br>– Compliance culture & behaviour<br>– Regulatory requirements and policy implementation<br>– ... |
| ... | ...<br>– Sustainability Governance / Culture<br>– Audit effectiveness<br>– ... |

The different categories represent financial and non-financial performance and are mapped into 12 clusters of business to help identifying the most relevant standardized KPIs (all certified by relevant functions) for each business, with specific focus on risk-adjusted, sustainability-driven metrics and economic measure.



## Focus on Stakeholder Value and KPI

The KPI Bluebook includes also sustainability indicators aiming at measuring client satisfaction, employees' engagement level, and Succession Planning Index (further details on Reputation, Internal Service Quality and Employees' Engagement are included in the Integrated Report published on UniCredit website).

**CUSTOMER FIRST BENCHMARKING**

- *Definition:* analysis of competitive positioning of UniCredit on the topic of strategic KPIs, such as reputation and customer satisfaction. Assessing the level of service provided, as well as image, both by Customers and Prospects.
- *Listening Methodology:* the assessment is conducted on the main countries where the Group operates, through an investigation that involves both Individual and Corporate segments. Respondents are customers of the banks of UniCredit and of the local competitors.
- *Used indexes*: Customer First Index*, as a combination of satisfaction and preference. Additional supporting behaviors will be measured, such as recommendation, share of wallet, propensity to buy, attrition risk, etc.
- *Supplier:* external research institute*

**INTERNAL SERVICE QUALITY**

- *Definition:* analysis of satisfaction perceived by the Internal Customer, evaluating the Department which is providing the service. Purpose is to simplify the process and improve its effectiveness. In addition, specific Employee experiences may be measured, evaluated by the Employee quickly after the experience took place
- *Listening Methodology:* the assessment is conducted on the major Group perimeters, through a periodic web survey, on Employees who have taken advantage of the services concerned
- *Used indexes*: Overall Satisfaction, Effort Score for Employees
- *Supplier:* external supplier*

**PEOPLE ENGAGEMENT**

- *Definition:* analysis of the company "climate" and of the "People engagement" (i.e. for the stakeholder *Employee)*, in order to identify the drivers of motivation and satisfaction vis-à-vis the Company
- *Listening methodology:* the research is run for all Employees, and for all the Group companies, trough a recurring web survey
- *Used indexes:* Engagement Index, by a methodology in line with international best in class standards, and measured against Group-wide defined thresholds
- *Supplier* of the technical platform is IBM, while the survey is managed internally by the People Insight function

**SUCCESSION PLANNING INDEX**

- *Definition*: The succession planning coverage ratio allowing to calculate the percentage of about. 120 senior management Group positions for which a successor pipeline has been identified. The aim is to assure a sustainable leadership pipeline.
- *Methodology:* The succession plan analysis follows a structured process based on Executive Development Plan (EDP) outcomes
- *Provider*: Internal. The Coverage Ratio is yearly shared with the Board of Directors at the end of the process

→ With reference to 2015, as shared with the Board of Directors, 88% of the strategic positions presents a formalized succession plan

EDP AT A GLANCE
EDP is the Group Management Review process which allows to plan, manage and develop the Group Leadership pipeline:
–~ 4.000 Executives involved
–Local EDP sessions to discuss all the position in EDP
– The Top Management positions subject to the discussion with the Chief Executive Officer

*from 2017
** under definition at March 2017

## Goal setting framework

With the reshaping of the group compensation approach, the Goal Setting process is impacted, especially for senior management that will have for 2017 a variable remuneration more aligned to the group long term value creation and results.

Since the new 2017-2019 Long Term Incentive Plan is launched, the Performance Screen for the Group CEO and the General Manager is not reported in this paragraph, as the LTIP for the CEO and the General Manager substitutes entirely the short term incentives. The LTIP scorecard is reported at below.

For the other senior manager where the 2017-2019 LTIP cover partially the total variable remuneration, annual Perfomance Screens reflects mainly the targets related to the Strategic Plan Transform 2019 (in particular for Business Roles) and aligned with the Risk Appetite Framework, with differences given by the perimeter of reference and the relevant activities.

Moreover, a specific KPI *"Tone from the top"* is envisaged, related to integrity towards conduct principles and spread of compliance and risk culture, to enhance overall organization awareness on these topics within the more general risk management framework.

The goal setting framework described above is the starting point for goal cascading to group Executives and lower levels, where applicable.


## 4 GROUP LONG TERM INCENTIVE PLAN (2017-2019 LTI PLAN)

The Group Long Term Incentive Plan (2017-2019 LTI Plan), approved by the Board of Directors on January, 10 2017, is aimed at aligning senior management interests to the long term value creation for the shareholder, to share price and group performance appreciation and sustaining a sound and prudent risk management, orienting the performance management measurement on a multi-year horizon.

The Plan has also the characteristic to be qualified as a “retention” tool in order to retain key group resources for the achievement of the mid-long term group Strategy.

The 2017-2019 LTI Plan provides for an incentive in UniCredit free ordinary shares to employee who hold key roles within the UniCredit Group, in several installments and over a multi-year period, subject to the achievement of specific performance targets linked to the Strategic Plan Transform 2019.

The potential beneficiaries of the LTI Plan are:

- the UniCredit Chief Executive Officer
- the UniCredit General Manager
- the Senior Executive Vice Presidents of UniCredit
- the Executive Vice Presidents of UniCredit and of the Legal Entities of the group
- other Key roles up to 200 beneficiaries, including selected Talents not belonging to the aforementioned clusters

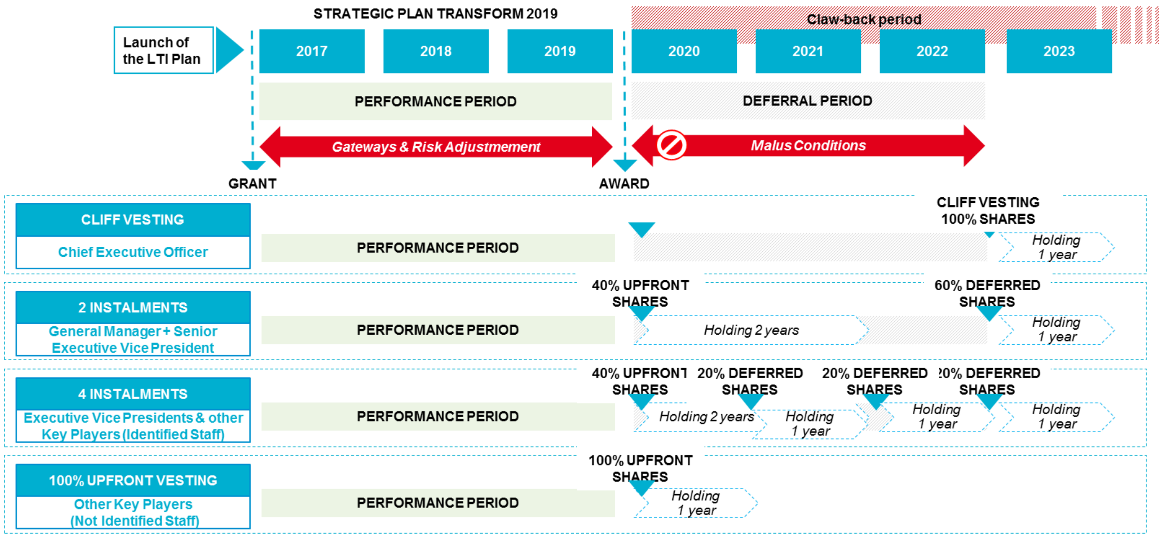
The personnel of Company Control Functions is not included in the Plan.

The key elements of the Plan are highlighted in the following table:

| 2017-2019 LTI PLAN: MAIN FEATURES | |
|---|---|
| **Amount at stake**[1] | ▪ **100% of total max variable** remuneration **for CEO and GM**<br>▪ **50% of variable** remuneration **for SEVP**<br>▪ **30% of variable** remuneration **for EVP of UniCredit and of the Legal Entities of the Group**<br>▪ **Smaller amount** for **Key Players** (up to 200) |
| **Performance period** | ▪ **3 years** (aligned to UniCredit Strategic Plan Transform 2019) |
| **Deferral period** | ▪ **3 years deferral (Regulatory)** subject to "malus" conditions[2]<br>▪ **Additional compulsory holding years** (after which the shares become free to sell, only if the share ownership guidelines are respected) |
| **Performance awards** | ▪ **One award** based on:<br>- gateway conditions on **profitability**, **liquidity**, **capital and risk position**<br>- achievement of a **set of performance conditions focused on Group targets, aligned to the Strategic Plan Transform 2019** |
| **Vehicles and vesting** | ▪ **100% UniCredit Shares**<br>▪ **Cliff vesting** of the award **for CEO; ratable vesting for GM, SEVP, EVP** and **other Key Players**[3]<br>▪ Claw-back clause foreseen for 4 years after shares vesting |

*[1] Defined on the basis of 3 years of compensation and defined upfront*
*[2] Malus conditions that reduce the payable amount based on profitability, liquidity, capital position*
*[3] 100% upfront for Key Players not Identified Staff*

The different percentages of payments in shares, starting from 2020, are defined considering beneficiary categories, as described in the following table:



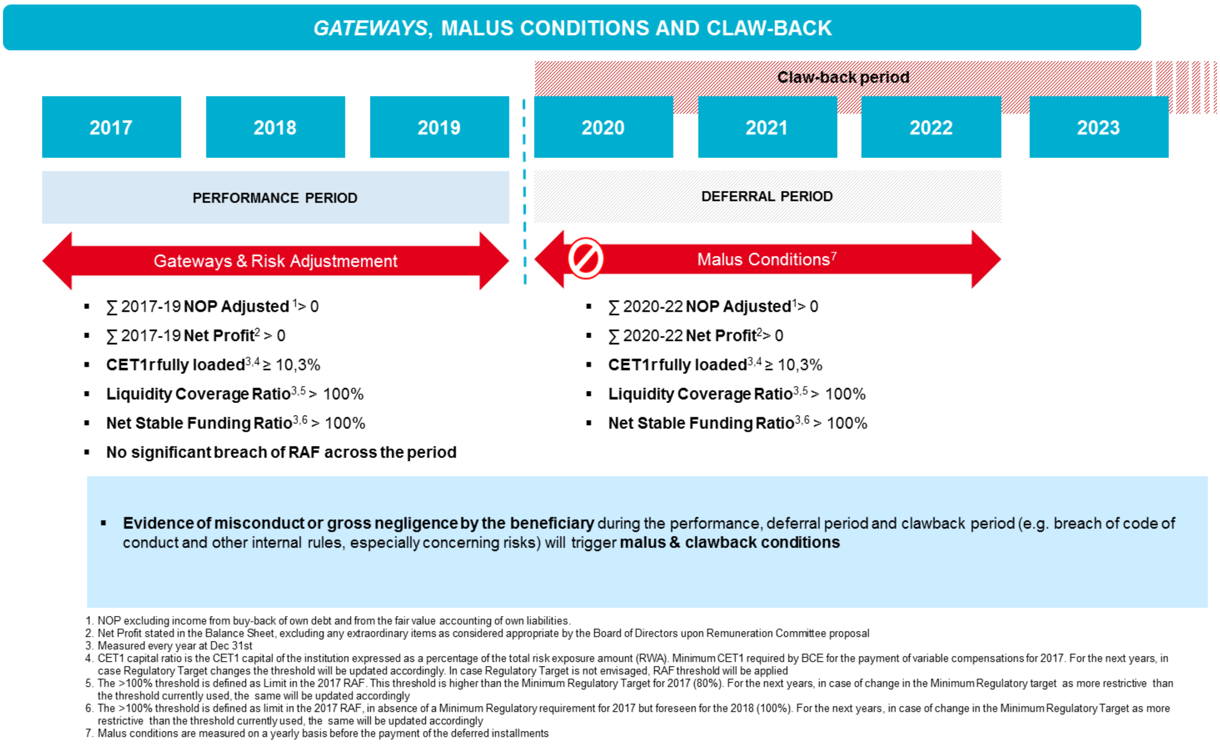

The assigned shares will be subject to a three-year deferral period from the date of approval of the LTI Plan, as required by law.

The overall final amount will be defined on the basis of the achievement of specific performance conditions linked to the Strategic Plan Transform 2019, subject to continuous employment at each date of payment.

Moreover, the shares will be assigned only on the basis of the respect of the minimum conditions of Company assets, capital and liquidity ("malus condition"), as well as in terms of the conduct of compliance with respect to the law, Company and group compliance rules, Company Policy and to the integrity values mentioned in the Code of Conduct (including claw-back clauses).

With reference to the performance period, if the threshold for the cumulative conditions is not reached, the award will be zeroed; on the other hand, the failure to reach the threshold for the conditions to be assessed at the end of each year, implies the pro rata reduction of the incentive.
With reference to the deferral period, if the threshold for the cumulative conditions is not reached, the award will be reduced from 50% to 100%, based on the assessment of the general context in which the result has been performed; on the other side, the failure to reach the threshold for the conditions to be assessed at the end of each year, implies the pro rata reduction of the incentive.

The claw-back rules are applied for the next 4 years to all payments regardless of the specific scenario (cliff or rateable vesting).




It is expected a correlation mechanism with risk, based on a qualitative assessment of the Risk Appetite Framework and carried out through the annual risk dashboard during the Plan time horizon. Based on this assessment, a progressive reduction of the incentive can be envisaged, until zeroing.

It is foreseen also a qualitative assessment made by the Remuneration Committee and the Board of Directors on the basis of non-purely formulistic elements, to keep into consideration the value creation for shareholders (i.e. Total Shareholder Return) in absolute and relative terms, the achievement of further managerial KPIs included in the Plan Transform 2019 (i.e. cross selling, funding gap, etc.), the market context, the remuneration trends, etc., that could decrease up to "zero" or increase up to maximum 20% the payments of the Plan.
However the overall final value of the assignments of the LTI Plan could not exceed the 100% of the original assignment.

Once the achievement of the performance indicators has been checked, the Board of Directors will grant the assignments of the shares on the basis of the percentages of payments and the installments foreseen for the different beneficiary categories.

For the purpose of determining the number of shares to be allocated, the performance indicators specified in the LTI Plan and evaluated at the end of the period of the Plan, consistent with Plan Transform 2019 targets, are the following ones for all beneficiaries[48]:

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[48] As specified in the par. 5,4, for the Group Chief Executive Officer and for the General Manager, the LTI Plan replaces all the short term incentives.

| | KPI | PERIMETER | WEIGHT | TARGET TRANSFORM 2019 | ASSESSMENT CRITERIA *Threshold* | *Payout* |
|---|---|---|---|---|---|---|
| VALUE CREATION | ROAC | GROUP | *50%* | 9% | ≥ 9% | 100% |
| | | | | | 8% - 9% | 0 - 100%[2] |
| | | | | | < 8% | 0% |
| INDUSTRIAL SUSTAINABILITY | COST/ INCOME RATIO | GROUP | *25%* | 52% | ≤ 52% | 100% |
| | | | | | 55% - 52% | 0 - 100%[2] |
| | | | | | > 55% | 0% |
| RISK | NET[1] NPE | GROUP | *25%* | ≤ 20,2 bn | ≤ 20,2 bn | 100% |
| | | | | | 22 – 20,2 bn | 0 - 100%[2] |
| | | | | | > 22 bn | 0% |

1. Net Non Performing Exposure (after provisions)
2. Linear progression (eg. 50% payout for ROAC at 8,5%)

For the selection of performance indicators, a limited number of specific indicators has been included, taking into consideration the trade-off between the clarity and immediacy of the evaluation, versus the inclusion of a greater number of KPI, which would offer a broader coverage but a less incisiveness on the final evaluation.

In addition, target referred to the group perimeter have been defined for all participants, in order to ensure alignment to Plan Transform 2019, as announced to the market.

As required by law, distribution of share payments foresees share retention periods (a retention period of 2 years for upfront shares and of 1 year for deferred shares).

The 2017-2019 LTI Plan could also be offered during the hiring process of outside employees that would cover key roles in the group, until December, 31 2017, with a pro-quota participation.

The 2017-2019 LTI Plan envisages an expected impact on UniCredit share capital of about 0.31%[49], assuming that all the free shares will be assigned to employees. The total dilution for all share plans currently in place, including 2017 Group Incentive System, is equal to 1.75%.

The Board of Directors could establish to assign free UniCredit ordinary shares that will be freely transferable at the end of the shares retention period, or in the year of the assignment, but subject to restrictions on the transfer for the share retention period (2 years for upfront payments and 1 year for deferred payments).

During the implementation phase, potential changes can be made to the LTI Plan, in order to ensure compliance with the laws and regulations from time to time in force in the Countries where the group Legal Entities are established. Such amendments shall be adopted in accordance with the provisions applicable and in particular with the “Disposizioni di Vigilanza per le Banche in materia di politiche e prassi di remunerazione e incentivazione” (Circolare n.285 of 17th December 2013, 7th update of 18th November 2014).

[49] Fully loaded in the first year

## 5 GROUP EMPLOYEE SHARE OWNERSHIP PLAN

In 2008 the UniCredit Group Employee Share Ownership Plan “Let’s Share” (The Plan) was launched for the first time, offering to employees the possibility to invest in UniCredit ordinary shares at favourable conditions. So far, more than 10,000 individuals have participated in “Let’s Share” from 14 countries overall: Austria, Bulgaria, Czech Republic, France, Germany, Hong Kong, Hungary, Italy, Luxembourg, Poland, Romania, Serbia, Slovakia and the United Kingdom.

The Plan offers to participants the opportunity to purchase UniCredit shares, receiving a 25% discount in the form of free shares granted by the Company, subject to a 1-year holding period. The Plan provides for the shares to be purchased on the market with no diluting impact on share capital.

For 2017, as approved by the Annual General Meeting on April 14, 2016 and in connection with the 2016-2019 Strategic Plan Transform 2019, the 2016 Employee Share Ownership Plan (“Let’s Share for 2017”) will be launched.

During the Strategic Plan horizon, new solutions can be evaluated to enhance employee share ownership.

## 6 SHARE OWNERSHIP GUIDELINES

Share ownership guidelines set minimum levels for company share ownership by covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in UniCredit shares over time. As part of our total compensation approach, we offer equity incentives that provide for opportunities of share ownership, in fully alignment with the applicable regulation requirements.

The ownership of UniCredit shares by our group leaders is a meaningful and visible way to show our investors, the public and our people that we believe in our Company.

The Board approved at the end of 2011 the share ownership guidelines applied to the Chief Executive Officer, to General Manager and Deputy General Manager roles, if any.

On March 2017 the Board of Directors of UniCredit approved an update of the above mentioned share ownership guidelines, as reported in the following table, extending their application to Senior Executive Vice President and Executive Vice President roles, taking into consideration the roles that are currently covered[50]. This has the aim of aligning managerial interests to those of shareholders' for the achievement of the 2016-2019 Strategic Plan Transform 2019 objectives, as presented to the market during the Capital Markets Day on December, 13 2016.

| CLUSTER | SHARE OWNERSHIP LEVEL |
|---|---|
| Chief Executive Officer | 2 x annual base salary |
| General Manager | 2 x annual base salary |
| Senior Executive Vice Presidents | 1 x annual base salary |
| Executive Vice Presidents | 0.5 x annual base salary |

The established levels should be reached, as a rule, within 5 years from the appointment to the role within the scope of the guidelines and should be maintained for the entire duration of the role covered.

The achievement of the share ownership levels should be accomplished through a linear pro-rata approach over a 5 years period, granting the minimum number of shares each year, taking into consideration potential vested plans.
Involved Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans (so called “hedging”).
Such clauses are contained in all relevant incentive plan rules and apply to all beneficiaries, since involvement in such schemes undermines the purpose of the incentive at risk.

[50] Considering the application, from 2016, of the new ration between the variable and the fixed components of remuneration (which could not exceed the limit of one third for Italian Control Functions, while the fixed remuneration is expected to be the predominant component for the Control Functions of other geographies), share ownership guidelines are not applied to the Executive within Company Control Functions

Any form of violation of share ownership guidelines as well as any form of hedging transaction shall be considered in breach of group compliance policies with such consequences as provided for under enforceable rules, provisions and procedures.

Local adaptations based on specific regulations and / or business shall be envisaged consistently with our group global approach.

*For additional details refer to the attachment to 2017 Group Compensation Policy, published on the UniCredit website, in the section dedicated to 2017 Shareholder's Meeting.*

# QUANTITATIVE INFORMATION

## 1 2016 COMPENSATION DATA

### 1.1 2016 REMUNERATION OUTCOMES

| Population (as at 31/12/2016) | Num. | Fix[1] | Variable 2016 | | | | Deferred Variable from previous exercises | | | | Variable paid in 2016 from previous exercises | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Upfront | | Deferred | | Vested in 2016 | | Un-Vested | | | |
| | | | € | Shares | € | Shares | € | Shares | € | Shares | € | Shares |
| CEO | 2 | 4,000 | 0 | 0 | 0 | 0 | 275 | 0 | 440 | 1,280 | 770 | 0 |
| Other executive Directors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non executive Directors | 18 | 4,564 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General Manager | 1 | 1,200 | 0 | 0 | 0 | 0 | 291 | 148 | 200 | 622 | 444 | 277 |
| Deputy General Manager & SEVP | 18 | 13,416 | 1,272 | 0 | 1,871 | 3,119 | 2,928 | 2,027 | 2,484 | 10,150 | 5,068 | 2,493 |
| EVP | 106 | 41,022 | 3,409 | 0 | 4,223 | 7,062 | 7,172 | 4,823 | 5,805 | 23,684 | 12,869 | 9,345 |
| SVP | 438 | 94,295 | 9,745 | 0 | 6,660 | 12,074 | 10,951 | 6,195 | 8,327 | 29,531 | 24,853 | 16,918 |
| Other relevant staff | 485 | 86,472 | 14,015 | 0 | 6,849 | 16,703 | 7,544 | 2,897 | 3,928 | 21,458 | 22,679 | 5,172 |

1 2016 full year gross fixed remuneration, except for Non Executive Directors, whose fees are those actually paid for 2016 and calculated pro rata on the basis of the methodology provided by Article 84-quater of Consob Issuers Regulation no. 11971

The vested component refers to cash and equity awards to which the right has been matured as the performance conditions have been achieved.

- The vested components in cash refer to Group Incentive System 2013, 2014 e 2015 and, if present, to other forms of variable remuneration.
- The vested components in shares refer to Group Incentive Systems 2012, 2013 e 2014 and, if present, to other forms of variable remuneration.

The unvested component refers to cash and equity awards to which the right has not yet matured and for which any potential future gain has not been yet realized and remains subject to future performance.

- The unvested components in cash refer to Group Incentive Systems 2015 and, if present, to other forms of variable remuneration.
- The unvested components in shares refer to Group Incentive Systems 2013, 2014, 2015 and, if present, to other forms of variable remuneration.

The value of the shares shown as unvested equity is calculated considering the arithmetic mean of the official market closing price of UniCredit ordinary shares during the period February 8$^{th}$ and March 8$^{th}$, 2017 .

Variable remuneration paid in 2016 from previous exercises includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans and, if present, to other forms of variable remuneration.
All stock options granted under existing Group LTI plans represent zero gain for the beneficiaries as long as the entry conditions will not allow the exercise.

During 2016, 20 beneficiaries were awarded a total remuneration equal to or greater €1 million. In particular:

| Total Compensation | N° Identified staff |
|---|---|
| 1 ≤ TC < 1,5 Mln | 13 |
| 1,5 ≤ TC < 2 Mln | 3 |
| 2 ≤ TC < 2,5 Mln | 4 |
| 2,5 ≤ TC < 3 Mln | 0 |
| 3 ≤ TC < 3,5 Mln | 0 |
| 3,5 ≤ TC < 4 Mln | 0 |
| 4 ≤ TC < 4,5 Mln | 0 |
| 4,5 ≤ TC < 5 Mln | 0 |
| TC ≥ 5 Mln | 0 |

Severance and sign-on payments paid during the financial year to 61 Identified Staff amounted to € 58,610,924 (the highest severance paid to a single person was equal to Euro 9,586,284). The payments were determined in line with Group Policy guidelines and relevant legal and contractual framework.

The total compensation costs at Group level amounted at €7,124 million in 2017, out of which the variable compensation pool amounted €417 million.

## 1.2 2017 REMUNERATION POLICY

| | Compensation Pay-Mix | |
|---|---|---|
| Group Employee Population | Fixed and other non-perfomance related Pay | Variable performance-related Pay |
| Non-executive Directors | | |
| Chairman and Vice-Chairman | 100% | 0% |
| Directors | 100% | 0% |
| Statutory Auditors | 100% | 0% |
| Group Employee Population | | |
| Business Areas[2] | 94% | 6% |
| Corporate center / Support functions[3] | 95% | 5% |
| Overall Group Total | 94% | 6% |

2 Commercial Banking Italy (excluding the local Corporate Centre), Commercial Banking Germany (excluding the local Corporate Centre), Commercial Banking Austria (excluding the local Corporate Centre), Corporate & Investment Banking (excluding the governance functions), Asset Gathering, CEE, Non-Core
3 Corporate Center Global, Global Banking Services, the governance functions in CIB and the local Corporate Centres in Italy, Germany and Austria

Total compensation policy for non-Executive Directors, Group Identified Staff and for the overall Group employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the AGM, does not include variable performance-related pay
- variable remuneration for Group Identified Staff is in line with their strategic role, regulatory requirements and our *pay for performance* culture
- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

In line with Capital Requirements Directive (CRD IV) a specific limit to the ratio of the variable and fix component of the compensation has been established.

# Glossary/Abbreviations

**ABCP** Asset-Backed Commercial Paper

**ABS** Asset-Backed Securities

**ALM** Asset & Liability Management**;** integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimize the risk/return ratio.

**ALT-A** (residential mortgages) Mortgages whose borrowers, while not subject to the significant repayment problems of those described as Subprime (q.v.), have a risk profile with high loan-to-value and installment-to-income ratios or incomplete documentation of the debtor's income.

**AMA** Advanced Measurement Approach; applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardized and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

**Audit** Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

**Back-testing** is a statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.

**Bad Loans (“Sofferenze”):** Exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any - secured or personal - guarantees covering the exposures).

**Banking book** Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

**Basel 2** New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.
The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.
**Pillar 1**: while the objective of a level of capitalization equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterized by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Regulatory Authority;
**Pillar 2:** this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
**Pillar 3**: this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

**Basel 3** In the light of the crisis that in recent years has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as of January 1, 2014. These rules have been implemented at the European level through the CRD IV “Package”.

**Best practice** Behavior commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

**Budget** Statement forecasting the future costs and revenues of a business.

**CDO** Collateralized Debt Obligations; bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (q.v.) or other CDOs as underlyings. CDOs make it possible to derecognize assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitized assets and the bonds issued by the vehicle.
CDOs may be funded if the vehicle legally acquires title to the assets or unfunded if the vehicle acquires the underlying risk by means of a CDS - Credit Default Swap (q.v.) or similar security.
These bonds may be further subdivided as follows:

- **CDOs of ABSs**, which in turn have tranches of ABSs as underlyings
- **Commercial Real Estate CDOs** (CRE CDOs), with commercial property loans as underlyings
- **Balance Sheet CDOs** which enable the Originator (q.v.), usually a bank, to transfer its credit risk to outside investors, and, where possible under local law and supervisory regulations, to derecognize the assets from its balance sheet
- **Market Value CDOs** whereby payments of interest and principal are made not only out of cash flow from the underlying assets, but also by trading the instruments. The performance of the notes issued by the vehicle thus depends not only on the credit risk, but also on the market value of the underlyings
- **Preferred Stock CDOs** with hybrid debt/equity instruments or Preference shares issued by financial institutions
- **Synthetic Arbitrage CDOs** which arbitrage the differences in yield between the securitized assets acquired synthetically by means of derivatives and the bonds issued by the vehicle.

**CDS** Credit Default Swap; a derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount should a certain event indicating a deterioration of the creditworthiness of a reference entity occur.

**CEO** Chief Executive Officer

**CFO** Chief Financial Officer

**CIU** Collective investment undertakings

**Corporate** Customer segment consisting of medium to large businesses.

**Cost of risk** The ratio between loan loss provisions and loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

**Counterparty Credit Risk** Is the risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.

**Covenant** A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower's profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).

**Covered bond** A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV – Special Purpose Vehicle.

**CRD** (*Capital Requirement Directive*); EU directives No. 2006/48 and 2006/49, incorporated into the Bank of Italy circular 263/2006 of December 27, 2006 as amended.
The **CRD IV** "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into the Bank of Italy circular 285 of December 17, 2013 as amended.

**Credit risk** The risk that an unexpected change in the creditworthiness of a counterparty, the value of the guarantees provided by it or the margins used by it in the event of insolvency might produce an unexpected change in the value of the bank's credit position.

**Credit Quality Step** Is a step, based on external ratings, which is used to assign risk weights under credit risk Standardized Approach

**Credit Valuation Adjustment** Is the adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.

**CRM** Credit Risk Mitigation is a set of techniques, contracts accessories to the loan or other instruments (e.g. securities, guarantees), which allows a reduction of the credit risk capital requirements

**CRO** Chief Risk Officer

**Default** A party's declared inability to honor its debts and/or the payment of the associated interest.

**Duration** This is generally calculated as the weighted average of the maturities for payment of the interest and capital associated with a bond, and represents an indicator of the interest rate risk to which a security or a bond portfolio is subject.

**EAD** Exposure at Default is the amount of the counterparty exposure used for the calculation of the capital requirement; EAD takes into consideration both the on-balance-sheet exposure and the expected usage of the off-balance-sheet exposure

**EBA** European Banking Authority. The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

**ECA** Export Credit Agency

**ECAI** External credit assessment institution

**ECB** European Central Bank. The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the euro area.

**Economic capital** Capital level that is required to cover the bank’s losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on both the risks to which the bank is exposed and the degree of diversification of the portfolio itself.

**EL** Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures)

**EVA** Economic Value Added; it expresses the ability to create value in monetary terms. EVA is equal to the difference between the Net Operating Profit After Tax NOPAT – Net Operating Profit After Tax and the cost of the invested capital.

**Fair value** The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

**Forbearance/Forborne exposures**: according to EBA Implementing Technical Standards, forborne exposures consist of exposures to which forbearance measures have been extended, i.e. concessions towards a debtor who is facing or about to face difficulties in meeting its financial commitments (“financial difficulties”).

**Forwards** Forward contracts on interest rates, exchange rates or share indices, generally traded on "OTC - Over-the-Counter" 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.

**Funding** Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

**Futures** Standardized contracts whereby the parties undertake to exchange money, transferable securities or goods at a present price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

**Hedge Fund** Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.

**IAA** Internal Assessment Approach

**IAS/IFRS** International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization 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 harmonization 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 harmonize the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles.

**IBNR** Incurred But Not Reported (losses)

**ICAAP** Internal Capital Adequacy Assessment process; the discipline of the so called “Pillar 2” requires banks to implement processes and systems to determine the level of internal capital adequate to face any type of risk, also different from those provided by the capital requirements (Pillar 1) rules; in the scope of an assessment of the exposure, actual and future, that has to consider also the strategies and the evolution of the reference environment

**IMA** Internal Models Approach is an approach to calculate market risk capital requirement using internal models

**Impairment** Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the balance sheet value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

**(Internal) validation** an expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

**Investment banking** Banking segment devoted to the subscription and placement of newly issued securities, as well as the trading of financial instruments.

**IPRE** Income Producing Real Estate

**IRB** Internal Ratings-Based is an approach to calculate credit risk capital requirement using internal estimated risk parameters.

**IRC** Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

**Junior, Mezzanine and Senior exposures** In a securitization transaction, the exposures may be classified as follows:
- **junior** exposures are the last to be repaid, and consequently absorb the first loss produced by the securitization transaction;
- **mezzanine** exposures are those with medium repayment priority, between senior and junior;
- **senior** exposures are the first to be repaid.

**KPI** - **“Key Performance Indicators”**, a set of indicators used to evaluate the success of a particular activity or process.

**LCP** Loss Confirmation Period

**Leasing** Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.

**LGD** Loss Given Default is the expected value of loss due to default; it is usually reported as percentage of EAD

**Liquidity risk** The risk of the company being unable to meet its payment commitments due to the inability to mobilize assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavorably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

**M** Effective Maturity

**Market risk** The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the trading book and those entered in the banking book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.

**Medium Term Note** Bond with a maturity of between 5 and 10 years.

**Non performing exposures**: according to EBA Implementing Technical Standards, non performing exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

**Notch** Level, referred to a scale

**Operational risk** The risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel or systems, or by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk. For example, operational risks include losses deriving from internal or external fraud, employment contracts and employment protection regulations, customer claims, distribution of products, fines and other sanctions arising from breaches of regulations, damages to the company's assets, interruption of operations, malfunction of systems and the management of processes.

**Originator** The entity that originated the assets to be securitized or acquired them from others.

**OTC** Over the Counter  All trades done on non-regulated markets or exchange but arranged directly between two parties.

**Overcollateralization** The value of the assets underlying the bonds issued is higher than the amount of the bonds.

**Past Due**: Problematic exposures that, at the reporting date, are more than 90 days past due on any material23 obligation, as required by the relevant prudential regulation. Past due can be determined either at individual debtor or at single transaction level according to the relevant local prudential regulation.

**PD** Probability of Default is the probability that a counterparty will default within a time horizon of one year.

**Private equity** Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.

**Purchase Companies** Vehicle used by "ABCP Conduits – Asset Backed Commercial Paper Conduits" to purchase the assets to be securitized and subsequently financed by the Conduit vehicle by means of commercial paper.

**Rating** Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

**RBA** Ratings-Based Approach

**Retail** Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

**RIC** IRB calculation model - *Rating Integrato Corporate* (Corporate Integrate Rating)

**RISB** IRB calculation model - *Rating Integrato Small Business* (Small Business Integrate Rating)

**RUF** Revolving Underwriting Facility

**RWA** Risk Weighted Assets; on-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Supervisors (i.e. Banca d'Italia, Bafin, etc.), to calculate solvency ratios.

**Securitization** Transfer of a portfolio of assets to an “SPV - Special Purpose Vehicle” and the issue of securities with various levels of seniority to meet any default by the underlying assets.
Securitizations can be:

- **traditional**: method of securitization whereby transfer of the assets is by means of sale of the portfolio to the “SPV - Special Purpose Vehicle”.
- **synthetic**: method of securitization whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

**Sensitivity** The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

**SFA** Supervisory Formula Approach

**SL** Specialized Lending

**SME** Small and Medium Enterprise

**Sponsor** An entity other than the Originator (q.v.) which sets up and manages an ABCP conduit or other securitization scheme where assets are acquired from a third entity for securitization.

**SPV** Special purpose vehicle, usually a company established for the sole purpose of acquiring certain assets or derivative exposures and issuing liabilities exclusively related to these assets or exposures.

**Subprime** (Residential Mortgages) Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.

**SVaR** Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.

**Swap** A transaction that generally consists in 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).

**UCITS** Undertakings for Collective Investments in Transferable Securities

**UL** Unexpected Losses are the losses exceeding the expected losses

**Unlikely to Pay**: the classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realizing collaterals, that the obligor will pay in full (principal and / or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.

**VaR** Value at Risk is a measure of the risk of potential loss, under a given level of confidence and time horizon, which could occur on a position or a portfolio.

# Capital instruments main features templates (*)

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004781412 | IT0004781420 / IT0004781438 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian law (**) | Whole Instrument - Italian law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Common Equity Tier 1 (**) | Tier 2 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 (**) | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Ordinary shares | Saving Shares |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 20,820 (**) | 9 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | Without nominal value | Without nominal value |
| | Nominal amount of instrument: original amount - currency of issuance | N/A | N/A |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | N/A | N/A |
| 9a | Issue price | N/A | N/A |
| 9b | Redemption price | N/A | N/A |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | N/A | N/A |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity |
| 14 | Issuer call subject to prior Supervisory approval | N/A | N/A |
| 15 | Optional call date | N/A | N/A |
| | Contingent call dates and redemption amount | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | N/A (**) | Savings shares present equity privileges in the distribution of dividends as required in the Articles of Association. In particular, in case of net profit distributable, it is allocated a sum of up to 5% of Euro 6.3 per share, subject to the further required in the Articles of Association. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Fully discretionary (**) | Partially discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | Savings shares present equity privileges in the distribution of dividends |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Fully discretionary (**) | Partially discretionary |
| 21 | Existence of step up or other incentive to redeem | N/A | N/A |
| 22 | Noncumulative or cumulative | N/A (**) | Cumulative |
| 23 | Convertible or non-convertible | N/A | N/A |
| 24 | If convertible, conversion trigger(s) | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A |
| 30 | Write-down features | N/A | N/A |
| 31 | If write-down, write down triggers | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | N/A | N/A |
| 35 | Position in subordination hierarchy in liquidation | Saving Shares | Additional Tier 1 |
| 36 | Non-compliant transitioned features | NO (**) | SI |
| 37 | If yes, specify non-compliant features | (**) | Partially discretionary, Cumulative |

(*) 'N/A' if the information is not applicable
(**) The amount shown net of the amount in item 16 of the table "Transitional Own Funds disclosure template". Ordinary shares include 96.756.406 shares previously underwritten by Mediobanca in the context of the capital increase approved by the UniCredit Extraordinary Shareholders' Meeting on November 14, 2008 and pledged for "CASHES" bonds, equity-linked instruments issued in February 2009 by The Bank of New York (Luxembourg) SA. These shares are in usufruct to UniCredit and during the term of such usufruct the voting rights are suspended. Therefore, with respect to aforementioned shares, the information marked with double asterisk differ in the fields below as follows:

- Field 3: Italian Law (ordinary shares and usufruct), Luxembourg Law (company swap agreement and Cashes);
- Field 4: Additional Tier 1 / Field 5: Tier 2;
- Field 8: 609 millions;
- Field 18: 4.9 * ((Euribor 3m + 4.50%), plus dividend adjustment equal to excess over 8% dividend yield paid on ordinary shares);
- Field 20a: Mandatory / Field 20b: Mandatory;
- Field 22: Noncumulative;
- Field 36: Yes / Field 37: Not discretionary, Dividend Pusher.

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | HVB FUNDING TRUST | HVB FUNDING TRUST II |
| 2 | Unique identifier (1) | US404398AA77 | XS0102826673 |
| 3 | Governing laws of the instrument (2) | Waiver and Improvement Agreement and the Subordinated Note - State of New York; Declaration, Certificates and the Charter - Delaware; Silent Partnership & Partnership Interests - Delaware and German law | Waiver, Improvement Agreement and the Subordinated Note - State of New York; Declaration, Certificates and the Charter - Delaware; Silent Partnership & Partnership Interests - Delaware and German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Silent Partnership Certificates - Art. 51 and 484 CRR | Silent Partnership Certificates - Art. 51 and 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 20 | 16 |
| | | Buybacks and Increase of Intercompany amount | Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 300 | 100 |
| | Nominal amount of instrument: original amount - currency of issuance | USD | GBP |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 294 | 153 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 07.15.1999 | 10.13.1999 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 06.30.2031 | 10.13.2036 |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 06.30.2029 | 10.13.2034 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at current nominal amount + accrued interest and unpaid distributions<br>Additional event: at current nominal amount + accrued interest and unpaid distributions | Regulatory call: Greater of (i) the Current Nominal Value plus accrued and unpaid distributions for the current Distribution Period and (ii) the Make-Whole Amount<br>Tax event: at current nominal amount + accrued interest and unpaid distributions<br>Additional event: at current nominal amount + accrued interest and unpaid distributions |
| 16 | Subsequent call dates, if applicable | Semi-annually | Annually |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 8.741% p.a. | 7.76% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Partially Discretionary | Partially Discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Capital deficiency; Dividend pusher | Capital deficiency; Dividend pusher |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Partially Discretionary | Partially Discretionary |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | YES |
| 31 | If write-down, write down triggers | Capital deficiency | Capital deficiency |
| 32 | If write-down, full or partial | Full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Temporary | Temporary |
| 34 | If temporary write-down, description of write-up mechanism (4) | each profit available is used to write-up to par | each profit available is used to write-up to par |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Tier 2 |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Dated instrument, Dividend pusher, Accelerated write-up, Recapitalization hindering, Not fully discretionary | Dated instrument, Dividend pusher, Accelerated write-up, Recapitalization hindering, Not fully discretionary |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | HVB FUNDING TRUST III | ALPINE CAYMAN ISLANDS LTD. |
| 2 | Unique identifier (1) | US404399AA50 | DE000A0DD4K8 |
| 3 | Governing laws of the instrument (2) | Waiver and Improvement Agreement and the Subordinated Note - State of New York; Declaration, Certificates and the Charter - Delaware; Silent Partnership & Partnership Interests - Delaware and German law | Whole Instrument - Cayman Law, Support Agreement - English Law Subordination Provision - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Tier 2 | Ineligible |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Silent Partnership Certificates - Art. 51 and 484 CRR | Preferred Securities - Art. 51 and 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 19 | 95 |
| | | Buybacks and Increase of Intercompany amount | Increase of Intercompany amount |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 200 | 250 |
| | Nominal amount of instrument: original amount - currency of issuance | USD | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 186 | 250 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.22.1999 | 10.28.2004 |
| 12 | Perpetual or dated | Dated | Perpetual |
| 13 | Original maturity date | 10.22.2031 | No maturity |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 10.22.2029 | 10.28.2011 |
| | Contingent call dates and redemption amount | Regulatory call: the greater of (i) the Current Nominal Value plus accrued and unpaid distributions for the current Distribution Period and (ii) the Make-Whole Amount<br>Tax event: at current nominal amount + accrued interest and unpaid distributions<br>Additional event: at current nominal amount + accrued interest and unpaid distributions | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest and unpaid dividends |
| 16 | Subsequent call dates, if applicable | Semi-annually | Semi-annually |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed to Floating |
| 18 | Coupon rate and any related index | 9% payable semi-annually | 1Y 6.00%, max between 8.00% and CMS Euro 10y + 0.10% from 10/28/2005. Payable semi-annually |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Partially Discretionary | Partially discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Capital deficiency; Dividend pusher | Capital Deficiency, Regulatory prohibition; Dividend pusher |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Partially Discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | NO |
| 31 | If write-down, write down triggers | Capital deficiency | - |
| 32 | If write-down, full or partial | Full or partial | - |
| 33 | If write-down, permanent or temporary | Temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | each profit available is used to write-up to par | - |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Tier 2 |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Dated instrument, Dividend pusher, Accelerated write-up, Recapitalization hindering, Not fully discretionary | Dividend Pusher, Recapitalization hindering, Repayment not subject to prior permission of the competent authority |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | ALPINE CAYMAN ISLANDS LTD. | UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA |
| 2 | Unique identifier (1) | DE000A0DYW70 | XS0372556299 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Cayman Law, Support Agreement - English Law Subordination Provision - Austrian Law | Whole Instrument - English Law Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Ineligible | Ineligible |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Preferred Securities - Art. 51 and 484 CRR | Bond - Art. 51 and 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 50 | 136 |
| | | Increase of Intercompany amount | Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 150 | 350 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | GBP |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 150 | 442 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 02.22.2005 | 06.27.2008 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 03.22.2012 | 06.27.2018 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest Tax event: at principal amount + accrued interest and unpaid dividends | Regulatory call: 100 + accrued interest Tax event: at principal amount + accrued interest Additional event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | Annually | Quarterly |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed to Floating | Fixed to Floating |
| 18 | Coupon rate and any related index | 1Y 7.5% payable in arrear, max between 8.00% and Euro CMS 10 y + 0.15% from second year to maturity. | 8.5925% from issue date to 06/27/2018 payable semi-annually, equivalent to MS + 2.95%; Libor 3M + 3.95% from 06/27/2018 |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Partially discretionary | Partially discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Capital Deficiency, Regulatory prohibition; Dividend pusher | No distributable profit; Prohibited by regulator; Capital Deficiency; Dividend pusher |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Partially discretionary |
| 21 | Existence of step up or other incentive to redeem | NO | YES |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | YES |
| 31 | If write-down, write down triggers | - | Capital deficiency |
| 32 | If write-down, full or partial | - | Full or partial |
| 33 | If write-down, permanent or temporary | N/A | Temporary |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | Pari-passu and prorata with Core Tier 1 |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Tier 2 |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Dividend Pusher, Recapitalization hindering, Repayment not subject to prior permission of the competent authority | Step-up, Subsequent Calls, Not fully discretionary, Dividend pusher, Recapitalization hindering |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0470937243 | XS0527624059 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Ineligible | Ineligible |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 51 and 484 CRR | Bond - Art. 51 and 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 393<br>Buybacks | 211<br>Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 750 | 500 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 750 | 500 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.10.2009 | 07.21.2010 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 12.10.2019 | 07.21.2020 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest<br>Additional event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at any interest payment date or reset date at principal amount + accrued interest<br>Additional event: at any interest payment date or reset date at principal amount + accrued interest. |
| 16 | Subsequent call dates, if applicable | Quarterly | Quarterly |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed to Floating | Fixed to Floating |
| 18 | Coupon rate and any related index | 8.125% from issue date to 12/10/2019; Euribor 3M + 6.650% | 9.375% from issue date to 07/21/2020, equivalent to MS + 6.49%; Euribor 3M + 7.49% from 07/21/2020 |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Partially discretionary | Partially discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | No distributable profit; Prohibited by regulator; Capital Deficiency; Dividend pusher | No distributable profit; Prohibited by regulator; Capital Deficiency; Dividend pusher |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Partially discretionary | Partially discretionary |
| 21 | Existence of step up or other incentive to redeem | YES | YES |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | YES |
| 31 | If write-down, write down triggers | Capital deficiency | Capital deficiency |
| 32 | If write-down, full or partial | Full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Temporary | Temporary |
| 34 | If temporary write-down, description of write-up mechanism (4) | Pari-passu and prorata with Core Tier 1 | Pari-passu and prorata with Core Tier 1 |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Tier 2 |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Step-up, Subsequent Calls, Not fully discretionary, Dividend pusher, Recapitalization hindering | Step-up, Subsequent Calls, Not fully discretionary, Dividend pusher, Recapitalization hindering |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS1046224884 | XS1107890847 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law; Subordinated provisions - Italian Law | Whole Instrument - English Law; Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Additional Tier 1 | Additional Tier 1 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 51 CRR | Bond - Art. 51 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 898 | 991 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 1.250 | 1.000 |
| | Nominal amount of instrument: original amount - currency of issuance | USD | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 908 | 1.000 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | 04.03.2014 | 09.10.2014 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 06.03.2024 | 09.10.2021 |
| | Contingent call dates and redemption amount | Regulatory call: Prevailing Principal Amount + any accrued interest<br>Tax event: 100 + accrued interest<br>Additional event: 100 + accrued interest | Regulatory call: Prevailing Principal Amount + any accrued interest<br>Tax event: 100 + accrued interest<br>Additional event: 100 + accrued interest |
| 16 | Subsequent call dates, if applicable | Semi-annually | Semi-annually |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 8% p.a. until 06/03/2024; therafter fixed every 5 years for 5-Year Mid-Swap Rate + 518bps | 6.75% p.a until 09/10/2021; therafter fixed every 5 years for 5-Year Mid-Swap Rate + 610bps |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Fully discretionary | Fully discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Insufficient Available Distributable Items; Distributions exceeding Maximum Distributable Amount; Loss Absorption Event | Insufficient Available Distributable Items; distributions exceeding Maximum Distributable Amount; Loss Absorption Event |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non cumulative | Non cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | YES |
| 31 | If write-down, write down triggers | Group of issuer CET1 < 5.125% or the minimum trigger event ratio specified by the Regulation | Group of issuer CET1 < 5.125% or the minimum trigger event ratio specified by the Regulation |
| 32 | If write-down, full or partial | Full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Temporary | Temporary |
| 34 | If temporary write-down, description of write-up mechanism (4) | If the Issuer or if permitted the Group records a net profit, the Issuer may, in its full discretion and subject to the Maximum Distributable Amount, increase the Prevailing Principal Amount of each note up to a maximum of the initial principal amount on a pro-rata basis with similar AT1 notes | If the Issuer or if permitted the Group records a net profit, the Issuer may, in its full discretion and subject to the Maximum Distributable Amount, increase the Prevailing Principal Amount of each note up to a maximum of the initial principal amount on a pro-rata basis with similar AT1 notes |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Tier 2 |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS1539597499 | AT0000245790 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law; Subordinated provisions - Italian Law | Whole Instrument - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Tier 2 |
| 5 | Post-transitional CRR rules | Additional Tier 1 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 51 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 495 | 0 |
| | | - | Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 500 | 27 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 500 | 27 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 130 |
| 10 | Accounting classification | Shareholders' equity | Liability – amortised cost |
| 11 | Original date of issuance | 12.21.2016 | 10.25.1989 |
| 12 | Perpetual or dated | Perpetual | Dated |
| 13 | Original maturity date | No maturity | 10.25.2019 |
| 14 | Issuer call subject to prior Supervisory approval | YES | NO |
| 15 | Optional call date | 06.03.2022 | - |
| | Contingent call dates and redemption amount | Regulatory call: Prevailing Principal Amount + any accrued interest<br>Tax event: Prevailing Principal Amount + any accrued interest<br>Additional event: Prevailing Principal Amount + any accrued interest | - |
| 16 | Subsequent call dates, if applicable | Semi-annually | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed to Floating |
| 18 | Coupon rate and any related index | 9.25% p.a. until 06/03/2022; thereafter fixed every 5 years for 5-year Mid-Swap Rate + 930bps | 7.25% for first five years, thereafter arithmetic average Secondary Market Yield of Banking Bonds according to ONB minus 0.25% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Fully discretionary | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Insufficient Available Distributable Items;Distributions exceeding Maximum Distributable Amount;Loss Absorption Event;Full discretion at the option of the issuer | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Fully discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | NO |
| 31 | If write-down, write down triggers | Group or Issuer CET1 < 5.125% or the minimum trigger event ratio specified by the Regulation | - |
| 32 | If write-down, full or partial | Fully or Partially | - |
| 33 | If write-down, permanent or temporary | Temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | If the Issuer or if permitted the Group records a net profit, the Issuer may, in its full discretion and subject to the Maximum Distributable Amount, increase the Prevailing Principal Amount of each note up to a maximum of the initial principal amount on a pro-rata basis with similar AT1 notes | - |
| 35 | Position in subordination hierarchy in liquidation | Tier 2 | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | AT0000246814 | XS0062981500 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Notes - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 2 | 50 |
| | | Buybacks | Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 15 | 10.000 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | JPY |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 15 | 72 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 02.14.1996 | 03.12.1996 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 02.26.2021 | 03.12.2021 |
| 14 | Issuer call subject to prior Supervisory approval | YES | NO |
| 15 | Optional call date | 02.26.2016 | - |
| | Contingent call dates and redemption amount | - | Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | Anytime after call date with notice | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 6M + 0.20% payable semi-annually | 6.3% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | XS0093266939 | XS0097425226 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 12 | 15 |
| | | Amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 60 | 40 |
| | Nominal amount of instrument: original amount - currency of issuance | DEM | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 31 | 40 |
| 9a | Issue price | 100 | 99,83 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.21.1998 | 05.14.1999 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.21.2018 | 05.14.2019 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed to Floating |
| 18 | Coupon rate and any related index | 5.43% p.a. | 5.00% from issue date to 05/14/2009; 5.00% + 16% of Euro CMS 10y from 05/14/2009. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | XS0097950900 | XS0098170003 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 1 | 18 |
| | | - | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 3 | 43 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 3 | 43 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 05.28.1999 | 06.01.1999 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 05.28.2019 | 06.01.2019 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed to Floating | Fixed to Floating |
| 18 | Coupon rate and any related index | 4.50% from issue date to 05/28/2004; max between 4.50% and 90% of Euro CMS 10y from 05/28/2004. | 4.70% from issue date to 06/01/2009; max between 4.70% and 102% of Euro CMS 10y from 06/01/2009 |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | DE0002298890 | XS0098907693 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 10 | 12 |
| | | - | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 20 | 25 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 20 | 25 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 06.07.1999 | 06.25.1999 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 06.07.2019 | 06.25.2019 |
| 14 | Issuer call subject to prior Supervisory approval | NO | YES |
| 15 | Optional call date | - | 06.25.2009 |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.5% p.a. | 7.00% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) ‘N/A’ if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | XS0104764377 | XS0105174352 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 39 | 12 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 39 | 12 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 39 | 12 |
| 9a | Issue price | 100 | 99,75 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.26.1999 | 12.13.1999 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.19.2029 | 12.13.2024 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 6M + 0.62% | 2.00% p.a. from issue date to 12/13/2004; 9.00% p.a. from 12/13/2004. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0105656267 | US060587AB85 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Instrument - State of New York Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 12 | 17 |
| | | - | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 15 | 700 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | USD |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 15 | 598 |
| 9a | Issue price | 79,15 | 99,81 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.21.1999 | 02.11.1997 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.21.2029 | 02.15.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.00% p.a. | 7.25% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0114878233 | AT0000541669 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole Instrument - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 6 | 4 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 8 | 5 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 8 | 5 |
| 9a | Issue price | 99,71 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 08.01.2000 | 08.01.2000 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 08.03.2020 | 08.01.2020 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: at principal amount + accrued interest | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed to Floating |
| 18 | Coupon rate and any related index | Euribor 6M + 0.65% | 7.1% payable until 07/31/2005, thereafter 1.8 x 10yJPYCMS. floor: 3.25%, cap: 8.25% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | AT0000541719 | XS0119485885 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 15 | 10 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 20 | 14 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 20 | 14 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.06.2000 | 10.23.2000 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.06.2020 | 10.23.2020 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Floating |
| 18 | Coupon rate and any related index | 6.5% p.a. | Euribor 3M + 0.70% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0120851174 | XS0122710188 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 8 | 20 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 10 | 20 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 10 | 20 |
| 9a | Issue price | 100 | 99,85 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.22.2000 | 01.24.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.22.2020 | 01.24.2031 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | 67% of Euro CMS 10y, with a min. of 4.85% and a max of 5.85% | Euribor 3M + 0.39% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0123313636 | XS0123117292 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 30 | 46 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 30 | 46 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 30 | 46 |
| 9a | Issue price | 99,80 | 99,28 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 01.25.2001 | 01.25.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 01.25.2031 | 01.25.2031 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | Euribor 6M + 0.3925% payable semi-annually | Euribor 3M + 0.35% payable quarterly |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0134061893 | XS0136314415 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 55 | 35 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 55 | 35 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 55 | 35 |
| 9a | Issue price | 100 | 99,32 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 08.20.2001 | 10.01.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 08.20.2033 | 10.31.2031 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | Euribor 3M + 0.52% payable quarterly | Euribor 3M + 0.49% payable quarterly |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | A111_SL0050 | XS0137905153 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Notes - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 24 | 12 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 25 | 12 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 25 | 12 |
| 9a | Issue price | 100 | 99,25 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.19.2001 | 10.30.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.19.2021 | 10.30.2031 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 6.01% p.a. | 5.935% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0138428684 | AT0000539481 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Whole Instrument - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 60 | 39 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 60 | 40 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 60 | 40 |
| 9a | Issue price | 99,31 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.05.2001 | 11.30.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.31.2031 | 11.29.2021 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 3M + 0.50% payable quarterly | 6% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | A111_SL0053 | XS0139264682 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 20 | 38 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 20 | 40 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | USD |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 20 | 45 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.03.2001 | 12.05.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.02.2021 | 12.05.2031 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.51% p.a. | 6.21% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | AT0000539606 | XS0140394817 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 9 | 94 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 9 | 95 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 9 | 95 |
| 9a | Issue price | 100 | 98,76 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.21.2001 | 12.27.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.21.2026 | 12.27.2031 |
| 14 | Issuer call subject to prior Supervisory approval | YES | NO |
| 15 | Optional call date | 12.21.2017 | - |
| | Contingent call dates and redemption amount | - | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | Annually | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Floating |
| 18 | Coupon rate and any related index | 6% p.a. | Euribor 3M + 0.48% payable quarterly |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) ‘N/A’ if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0140907626 | XS0140691865 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 50 | 50 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 50 | 50 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 50 | 50 |
| 9a | Issue price | 99,72 | 99,84 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.27.2001 | 12.27.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.27.2021 | 12.27.2026 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | Euribor 3M + 0.48% payable quarterly | Euribor 6M + 0.5% payable semi-annually |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AUSTRIA AG |
| 2 | Unique identifier (1) | XS0140608398 | XS0140838474 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Instrument - English Law<br>Subordinated provisions - Austrian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 63 | 125 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 63 | 125 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 63 | 125 |
| 9a | Issue price | 99,87 | 99,62 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.27.2001 | 12.27.2001 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.27.2021 | 12.27.2029 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | Tax event: on any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Floating |
| 18 | Coupon rate and any related index | 5.80% p.a. | Euribor 6M + 0.52% payable semi-annually |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | XS0141069442 | XS0150812872 |
| 3 | Governing laws of the instrument (2) | Instrument - English Law<br>Subordinated provisions - Austrian Law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 100 | 1 |
| | | - | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 100 | 10 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 100 | 10 |
| 9a | Issue price | 99,79 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.28.2001 | 07.08.2002 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.28.2021 | 07.08.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: on any interest payment date at principal amount + accrued interest | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 6M +0.48% payable semi-annually | 1.00% from 07/08/2003 to 07/08/2007;<br>3.00% from 07/08/2008 to 07/08/2012;<br>4.00% from 07/08/2013 to 07/08/2017 |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AG | UNICREDIT BANK AG |
| 2 | Unique identifier (1) | XS0154897317 | A1982_SL0068 |
| 3 | Governing laws of the instrument (2) | Whole instrument - German law | Whole instrument - German law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 4 | 2 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 25 | 10 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 25 | 10 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 09.24.2002 | 11.27.2002 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 09.24.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Max between 6.50% and 94% of Euro CMS 10y from issue date to 09/24/2007; 94% of Euro CMS 10Y 09/24/2007. | 5.85% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT BANK AUSTRIA AG | UNICREDIT SPA |
| 2 | Unique identifier (1) | A111_SL0040 | XS0322918565 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 26 | 140 |
| | | - | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 28 | 1.000 |
| | Nominal amount of instrument: original amount - currency of issuance | USD | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 21 | 1.000 |
| 9a | Issue price | 100 | 99,59 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.25.2006 | 09.26.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.15.2046 | 09.26.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | USD 130.000 per month/ 5.673% p.a. | 5.75% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | BANK AUSTRIA WOHNBAUBANK AG | UNICREDIT SPA |
| 2 | Unique identifier (1) | AT000B074141 | 135_SL0001 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Austrian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 1 | 2 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 8 | 10 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 8 | 10 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Shareholders' equity | Liability – amortised cost |
| 11 | Original date of issuance | 10.23.2007 | 10.30.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.22.2017 | 10.30.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 4.625% p.a. | 5.45% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | No conversion trigger (Every payment date at option of the holder) | - |
| 25 | If convertible, fully or partially | Fully or Partially | - |
| 26 | If convertible, conversion rate | 4 : 5 | - |
| 27 | If convertible, mandatory or optional conversion | at the option of the holders | - |
| 28 | If convertible, specify instrument type convertible into | Additional Tier 1 | - |
| 29 | If convertible, specify issuer of instrument it converts into | BANK AUSTRIA WOHNBAUBANK AG | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT LUXEMBOURG FINANCE SA |
| 2 | Unique identifier (1) | 135_SL0002 | US90466GAC69 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - State of New York Law<br>Subordinated provision - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 2<br>Amortisation | 117<br>Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 10 | 750 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | USD |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 10 | 519 |
| 9a | Issue price | 100 | 99,93 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.30.2007 | 10.31.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.30.2017 | 10.31.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.45% p.a. | 6.00% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0003 | 135_SL0004 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 2 | 1 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 10 | 5 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 10 | 5 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.13.2007 | 11.27.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.13.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.54% p.a. | 5.7% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0005 | 135_SL0006 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 1 | 4 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 5 | 20 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 5 | 20 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.27.2007 | 11.27.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.27.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.7% p.a. | 5.7% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0007 | 135_SL0008 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 4 | 0 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 20 | 1 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 20 | 1 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.27.2007 | 11.27.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.27.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.7% p.a. | 5.7% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0009 | 135_SL0010 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 7 | 1 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 40 | 5 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 40 | 5 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.27.2007 | 11.27.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.27.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.7% p.a. | 5.7% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0011 | 135_SL0012 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 4 | 1 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 20 | 5 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 20 | 5 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 11.27.2007 | 11.27.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 11.27.2017 | 11.27.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.7% p.a. | 5.7% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0332831485 | XS0334815601 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 31 | 19 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 171 | 100 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 171 | 100 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 12.04.2007 | 12.11.2007 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 12.04.2017 | 12.11.2017 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: at any interest payment date at principal amount + accrued interest | Tax event: at any interest payment date at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating |
| 18 | Coupon rate and any related index | Max between 5.14% and 100% of swap Euro 10 y | Minimum between 11% and 113.5% of swap Euro 10 y |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | 135_SL0013 | 135_SL0014 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - German Law<br>Subordinated provisions - Italian Law | Whole Instrument - German Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Consolidated | Consolidated |
| 7 | Instrument type | Loan - Art. 62 CRR | Loan - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 2 | 2 |
| | | Amortisation | Amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 10 | 10 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 10 | 10 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 01.30.2008 | 01.30.2008 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 01.30.2018 | 01.30.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.74% p.a. | 5.74% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0348222802 | XS0356063940 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 110 | 4 |
| | | Buybacks | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 125 | 15 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 125 | 15 |
| 9a | Issue price | 99,90 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 03.03.2008 | 04.10.2008 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 03.03.2023 | 04.10.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Floating |
| 18 | Coupon rate and any related index | 6.04% p.a. | Max between 5.535% and 10 y Euro CMS |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0356629369 | XS0367777884 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 26 | 200 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 100 | 1.000 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 100 | 1.000 |
| 9a | Issue price | 100 | 99,82 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 04.24.2008 | 06.05.2008 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 04.24.2018 | 06.05.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | Tax event: at any interest payment date at principal amount + accrued interest | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Max between 5% and 10 y Euro CMS + 0.67% | 6.70% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Partially discretionary |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | Breach of minimum capital |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Partially discretionary |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | YES |
| 31 | If write-down, write down triggers | - | Minimum Capital Deficiency in accordance to Italian Civil Code (art. 2446, 2447) |
| 32 | If write-down, full or partial | - | Full or partial |
| 33 | If write-down, permanent or temporary | N/A | Temporary |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | Pari-passu and prorata with Lower Tier 2 |
| 35 | Position in subordination hierarchy in liquidation | Senior | Lower Tier 2 |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0372227982 | XS0503612250 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 37 | 43 |
| | | Buybacks and amortisation | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 125 | 50 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 125 | 50 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 06.25.2008 | 04.21.2010 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 06.25.2018 | 04.21.2021 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 6M + 1.7% | 5% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Partially discretionary | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | Breach of minimum capital | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Partially discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | YES | NO |
| 31 | If write-down, write down triggers | Minimum Capital Deficiency in accordance to Italian Civil Code (art. 2446, 2447) | - |
| 32 | If write-down, full or partial | Full or partial | - |
| 33 | If write-down, permanent or temporary | Temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | Pari-passu and prorata with Lower Tier 2 | - |
| 35 | Position in subordination hierarchy in liquidation | Lower Tier 2 | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) ‘N/A’ if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0504566414 | XS0503708280 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 50 | 33 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 50 | 50 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 50 | 50 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 04.23.2010 | 04.26.2010 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 04.25.2022 | 04.26.2020 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 5.05% p.a. | 4.75% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004605074 | XS0515754587 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 221 | 35 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 333 | 50 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 333 | 50 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 05.31.2010 | 06.14.2010 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 05.31.2020 | 06.14.2020 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 05/31/2011: 3.00%; 05/31/2012: 3.25%; 05/31/2013: 3.50%; 05/31/2014: 3.75%; 05/31/2015: 4.00%; 05/31/2016: 4.40%; 05/31/2017: 4.70%; 05/31/2018: 5.07%; 05/31/2019: 5.40%; 05/31/2020: 6.00%. | 5.16% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | NO |
| 37 | If yes, specify non-compliant features | Contractual Amortization | - |
| (*) ‘N/A’ if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004615305 | IT0004698418 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 and Art. 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 29 | 112 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 327 | 464 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 327 | 464 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 06.14.2010 | 03.31.2011 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 06.14.2017 | 03.31.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed to Floating |
| 18 | Coupon rate and any related index | 06/14/2011: 3.00%; 06/14/2012: 3.25%; 06/14/2013: 3.50%; 06/14/2014: 3.80%; 06/14/2015: 4.10%; 06/14/2016: 4.40%; 06/14/2017: 4.70%. | 5% p.a. from 06/30/2011 to 03/31/2013; from 06/30/2013 Euribor 3M + 1% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Contractual Amortization | Contractual Amortization |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004698426 | XS0618847775 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 183 | 493 |
| | | Buybacks and amortisation | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 759 | 750 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 759 | 750 |
| 9a | Issue price | 100 | 99,62 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 03.31.2011 | 04.19.2011 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 03.31.2018 | 04.19.2021 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 03/31/2012: 4.10%; 03/31/2013: 4.30%; 03/31/2014: 4.50%; 03/31/2015: 4.70%; 03/31/2016: 4.90%; 03/31/2017: 5.05%; 03/31/2018: 5.10% | 6.125% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | NO |
| 37 | If yes, specify non-compliant features | Contractual Amortization | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004723927 | IT0004740368 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 and Art. 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 112 | 6 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 394 | 20 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 394 | 20 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 06.30.2011 | 07.05.2011 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 06.30.2018 | 07.05.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed to Floating | Floating |
| 18 | Coupon rate and any related index | 5% p.a. until 06/30/2013; from 09/30/2013 Euribor 3M + 1% p.a. | Euribor 3M + 2.50% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Contractual Amortization | Contractual Amortization |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004748882 | IT0004747330 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 and Art. 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 3 | 48 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 10 | 157 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 10 | 157 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 07.21.2011 | 08.19.2011 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 07.21.2018 | 08.19.2018 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed |
| 18 | Coupon rate and any related index | Euribor 3M + 2.637% p.a. | 08/19/2012: 4.40%; 08/19/2013: 4.60%; 08/19/2014: 4.80%; 08/19/2015: 5.00%; 08/19/2016; 5.30%; 08/19/2017: 5.65%; 08/19/2018: 6.00% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Contractual Amortization | Contractual Amortization |

(*) 'N/A' if the information is not applicable

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | IT0004764004 | IT0004780562 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - Italian Law | Whole Instrument - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 and Art. 484 CRR | Bond - Art. 62 and Art. 484 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 146 | 215 |
| | | Buybacks and amortisation | Buybacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 414 | 518 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 414 | 518 |
| 9a | Issue price | 100 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.31.2011 | 12.23.2011 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.31.2018 | 01.31.2019 |
| 14 | Issuer call subject to prior Supervisory approval | NO | NO |
| 15 | Optional call date | - | - |
| | Contingent call dates and redemption amount | - | - |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 10/31/2012: 5.60%; 10/31/2013: 5.90%; 10/31/2014: 6.10%; 10/31/2015: 6.30%; 10/31/2016: 6.50%; 10/31/2017: 6.80%; 10/31/2018: 7.20% | 01/31/2013: 6.50%; 01/31/2014: 6.90%; 01/31/2015: 7.30%; 01/31/2016: 7.80%; 01/31/2017: 8.10%; 01/31/2018: 8.30%; 01/31/2019: 8.50% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | YES | YES |
| 37 | If yes, specify non-compliant features | Contractual Amortization | Contractual Amortization |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0849517650 | XS0878681419 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 1.494 | 194 |
| | | - | Buybacks |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 1.500 | 300 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | SGD |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 1.500 | 179 |
| 9a | Issue price | 100,24 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 10.31.2012 | 01.30.2013 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 10.31.2022 | 07.30.2023 |
| 14 | Issuer call subject to prior Supervisory approval | NO | YES |
| 15 | Optional call date | - | 07.30.2018 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Fixed |
| 18 | Coupon rate and any related index | 6.95% p.a | 1-5.5Y 5.5% p.a., 5.5-10.5Y SOR + 4.47% p.a. |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS0925177130 | XS0986063864 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law<br>Subordinated provisions - Italian Law | Whole Instrument - English Law<br>Subordinated provisions - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Notes - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 708 | 996 |
| | | Increase of Intercompany amount | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 750 | 1.000 |
| | Nominal amount of instrument: original amount - currency of issuance | USD | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 569 | 1.000 |
| 9a | Issue price | 100 | 99,91 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 05.02.2013 | 10.28.2013 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 05.02.2023 | 10.28.2025 |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 05.02.2018 | 10.28.2020 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: at any interest payment date at principal amount + accrued interest | Regulatory call: 100 + accrued interest<br>Tax event: at principal amount + accrued interest |
| 16 | Subsequent call dates, if applicable | - | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed to Floating | Fixed |
| 18 | Coupon rate and any related index | 1-5Y 6.375%. 6-10Y USD MS + 5.51% | 5.75% p.a.. after the call. 5Y Swap + 410 bps |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |

(*) 'N/A' if the information is not applicable

| **Capital instruments main features templates (*)** | | | |
|---|---|---|---|
| 1 | Issuer | UNICREDIT SPA | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS1070428732 | IT0005087116 |
| 3 | Governing laws of the instrument (2) | Whole Instrument - English Law, Subordination Provisions - Italian Law | Whole Instrument - Italian Law |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type | Bond - Art. 62 CRR | Bond - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 184 | 2.495 |
| | | - | - |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 185 | 2.500 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 185 | 2.500 |
| 9a | Issue price | 99,26 | 100 |
| 9b | Redemption price | 100 | 100 |
| 10 | Accounting classification | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | 05.21.2014 | 03.03.2015 |
| 12 | Perpetual or dated | Dated | Dated |
| 13 | Original maturity date | 05.21.2024 | 05.03.2025 |
| 14 | Issuer call subject to prior Supervisory approval | YES | YES |
| 15 | Optional call date | 05.21.2019 | 05.03.2020 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: 100 + accrued interest | - |
| 16 | Subsequent call dates, if applicable | NO | - |
| | *Coupon/dividends* | | |
| 17 | Fixed or floating dividend/coupon | Fixed | Floating |
| 18 | Coupon rate and any related index | 3.125% from issue date to 05/21/2019; fixed rate equivalent to 5Y MS + 2.50% from 05/21/2019 | Euribor 3M + 2.75% |
| 19 | Existence of a dividend stopper | NO | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO | NO |
| 22 | Noncumulative or cumulative | Non Cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - | - |
| 25 | If convertible, fully or partially | - | - |
| 26 | If convertible, conversion rate | - | - |
| 27 | If convertible, mandatory or optional conversion | - | - |
| 28 | If convertible, specify instrument type convertible into | - | - |
| 29 | If convertible, specify issuer of instrument it converts into | - | - |
| 30 | Write-down features | NO | NO |
| 31 | If write-down, write down triggers | - | - |
| 32 | If write-down, full or partial | - | - |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - | - |
| 35 | Position in subordination hierarchy in liquidation | Senior | Senior |
| 36 | Non-compliant transitioned features | NO | NO |
| 37 | If yes, specify non-compliant features | - | - |
| (*) 'N/A' if the information is not applicable | | | |

| Capital instruments main features templates (*) | | |
|---|---|---|
| 1 | Issuer | UNICREDIT SPA |
| 2 | Unique identifier (1) | XS1426039696 |
| 3 | Governing laws of the instrument (2) | Whole instruments - english law, subordination provisions - italian law |
| | *Regulatory treatment* | |
| 4 | Transitional CRR rules | Tier 2 |
| 5 | Post-transitional CRR rules | Tier 2 |
| 6 | Eligible at: solo; consolidated; solo & consolidated | Solo & Consolidated |
| 7 | Instrument type | Notes - Art. 62 CRR |
| 8 | Amount recognised in regulatory capital (€/mln) (3) | 747 |
| | | BuyBacks and amortisation |
| 9 | Nominal amount of instrument: original amount of currency of issuance (in million) | 750 |
| | Nominal amount of instrument: original amount - currency of issuance | EUR |
| | Nominal amount of instrument: conversion of original amount in Euro (€ mln) | 750 |
| 9a | Issue price | 100 |
| 9b | Redemption price | 100 |
| 10 | Accounting classification | Liability – amortised cost |
| 11 | Original date of issuance | 06.03.2016 |
| 12 | Perpetual or dated | Dated |
| 13 | Original maturity date | 01.03.2027 |
| 14 | Issuer call subject to prior Supervisory approval | YES |
| 15 | Optional call date | 01.03.2022 |
| | Contingent call dates and redemption amount | Regulatory call: 100 + accrued interest<br>Tax event: early redemption amount + accrued interests |
| 16 | Subsequent call dates, if applicable | NO |
| | *Coupon/dividends* | |
| 17 | Fixed or floating dividend/coupon | Fixed |
| 18 | Coupon rate and any related index | 4.375% p.a. from Issue Date to 01/02/2022 payable annually; 4.316% p.a. + 5 Year Mid-Swap Rate after 01/02/2022 |
| 19 | Existence of a dividend stopper | NO |
| 20a | Fully discretionary, partially discretionary or mandatory - in terms of timing | Mandatory |
| | Fully discretionary, partially discretionary or mandatory - in terms of timing - reasons for discretion | - |
| 20b | Fully discretionary, partially discretionary or mandatory - in terms of amount | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NO |
| 22 | Noncumulative or cumulative | Non Cumulative |
| 23 | Convertible or non-convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | - |
| 25 | If convertible, fully or partially | - |
| 26 | If convertible, conversion rate | - |
| 27 | If convertible, mandatory or optional conversion | - |
| 28 | If convertible, specify instrument type convertible into | - |
| 29 | If convertible, specify issuer of instrument it converts into | - |
| 30 | Write-down features | NO |
| 31 | If write-down, write down triggers | |
| 32 | If write-down, full or partial | |
| 33 | If write-down, permanent or temporary | N/A |
| 34 | If temporary write-down, description of write-up mechanism (4) | - |
| 35 | Position in subordination hierarchy in liquidation | Senior |
| 36 | Non-compliant transitioned features | NO |
| 37 | If yes, specify non-compliant features | - |
| (*) 'N/A' if the information is not applicable | | |

**Notes to the tables of the “Capital instruments main features template” in the previous pages:**

1. Please note that ISIN Guidelines (paragraph 7) states that “banking instruments or facilities such as bank loans are outside of the scope of the ISO-6166 standard and should not be identified by ISIN codes". Hence, the present section shows an internal identification code for those instruments classified as "Loans" in order to allow the identification of the terms and conditions listed on the Group website at the link given in the Note below.
2. If not specifically indicated, governing law of subordinated provisions follows the whole instrument's.
3. In case of instruments issued by Group's subsidiaries, the value represents the computable amount of the instrument, that is the basis for the calculation of minority interests.
In case of Additional Tier 1 instruments in the transitional rules, the value represents the total computable amount ( including both the quota in Additional Tier 1 and the quota reclassified in Tier 2 when exceeding the grandfathering limit calculated according to regulation).
4. The write-up mechanisms described are aligned with the original Final Terms & Conditions; therefore, the classification of instruments is coherent with the regulatory framework in force at the issuance date.
5. The amounts shown in the tables above (field 8) do not include the obligations to purchase related to market making activities (amount authorised and not yet purchased at the reference date).

**Note:**

With reference to the disclosure requirements stated under the CRR article 437, paragraph 1, letter c) (“Institutions shall disclose “the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments”), the following link https://www.unicreditgroup.eu/en/investors/funding-and-ratings/programs/bank-capital.html reports the required information for the subordinated instruments issued in public by UniCredit Group and computable in the consolidated Own Funds.

The present Annex 1 is published in the editable format (excel) in the link https://www.unicreditgroup.eu/it/investors/third-pillar-basel-two-and-three.html.

**Basis of consolidation for accounting and prudential purposes**
**Consolidated entities as at December 31, 2016**

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| UNICREDIT SPA | BANKS | ROME | ITALY | X | | | | X | |
| MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| MY DREI HANDELS GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNIVERSALE INTERNATIONAL REALITAETEN GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UCTAM UKRAINE LLC | OTHER COMPANIES | KIEV | UKRAINE | X | | | | X | |
| UCTAM BALTICS SIA | OTHER COMPANIES | RIGA | LATVIA | X | | | | X | |
| UCTAM UPRAVLJANJE D.O.O. | OTHER COMPANIES | LJUBLJANA | SLOVENIA | X | | | | X | |
| UCTAM RU LIMITED LIABILITY COMPANY | OTHER COMPANIES | MOSCOW | RUSSIA | X | | | | X | |
| UCTAM RO S.R.L. | OTHER COMPANIES | BUCHAREST | ROMANIA | X | | | | X | |
| UCTAM D.O.O. BEOGRAD | OTHER COMPANIES | BELGRADE | SERBIA | X | | | | X | |
| UCTAM BULGARIA EOOD | OTHER COMPANIES | SOFIA | BULGARIA | X | | | | X | |
| UCTAM CZECH REPUBLIC SRO | OTHER COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| PERIKLES 20092 VERMOGENSVERWALTUNG GMBH | OTHER COMPANIES | BREMEN | GERMANY | X | | | | X | |
| OCEAN BREEZE ASSET GMBH & CO. KG | OTHER COMPANIES | BREMEN | GERMANY | X | | | | X | |
| OCEAN BREEZE GMBH | OTHER COMPANIES | BREMEN | GERMANY | X | | | | X | |
| UCTAM HUNGARY KFT | OTHER COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UCTAM SVK S.R.O. | OTHER COMPANIES | BRATISLAVA | SLOVAKIA | X | | | | X | |
| UCTAM RETAIL HUNGARY KFT. | OTHER COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| OCEAN BREEZE ENERGY GMBH & CO. KG | OTHER COMPANIES | BREMEN | GERMANY | X | | | | X | |
| I-FABER SPA | OTHER COMPANIES | MILAN | ITALY | | | X | | X | |
| CONSORZIO SE.TEL. SERVIZI TELEMATICI IN LIQUIDAZIONE | OTHER COMPANIES | NAPLES | ITALY | | | X | | | X |
| ISTICA - ISTITUTO IMMOBILIARE DI CATANIA SPA | OTHER COMPANIES | CATANIA | ITALY | | | X | | X | |
| ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM | OTHER COMPANIES | ZAGREB | CROATIA | | | X | | | X |
| CENTAR KAPTOL DOO | OTHER | ZAGREB | CROATIA | | | X | | X | |

| Company Name | Type | Headquarter Town | Headquarter Country | Consolidation in supervisory report (*) Full | Consolidation in supervisory report (*) Proportional | Consolidation in supervisory report (*) At Equity | Consolidation in supervisory report (*) Deduction (**) | Consolidation on IAS/IFRS Full | Consolidation on IAS/IFRS At Equity |
|---|---|---|---|---|---|---|---|---|---|
| | COMPANIES | | | | | | | | |
| ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM | OTHER COMPANIES | ZAGREB | CROATIA | | | X | | | X |
| SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O | OTHER COMPANIES | ZAGREB | CROATIA | | | X | | X | |
| SVILUPPO GLOBALE GEIE (IN LIQUIDAZIONE) | OTHER COMPANIES | ROME | ITALY | | | X | | | X |
| UNICREDIT RENT D.O.O. BEOGRAD | OTHER COMPANIES | BELGRADE | SERBIA | | | X | | X | |
| UNICREDIT BETEILIGUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| WEALTHCAP PEIA KOMPLEMENTAR GMBH | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| HYPO-REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH & CO. IMMOBILIEN-VERMIETUNGS KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| ISB UNIVERSALE BAU GMBH | OTHER COMPANIES | BERLIN | GERMANY | | | X | | X | |
| LIFE MANAGEMENT ZWEITE GMBH | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| MILLETERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT EGGENFELDENER STRASSE KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| PORTIA GRUNDSTUCKSVERWALTUNGS-GESELLSCHAFT MIT BESCHRANKTER HAFTUNG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| RANA-LIEGENSCHAFTSVERWERTUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| REAL INVEST IMMOBILIEN GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| AGROB IMMOBILIEN AG | OTHER COMPANIES | ISMANING | GERMANY | | | X | | X | |
| RHOTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| ROLIN GRUNDSTUCKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| RONCASA IMMOBILIEN-VERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MIT BESCHRAENKTER HAFTUNG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SELFOSS BETEILIGUNGSGESELLSCHAFT MBH | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| T & P FRANKFURT DEVELOPMENT B.V. | OTHER COMPANIES | AMSTERDAM | NETHERLANDS | | | X | | X | |
| T & P VASTGOED STUTTGART B.V. | OTHER COMPANIES | AMSTERDAM | NETHERLANDS | | | X | | X | |
| TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| TRANSTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. U. CO. ARBEITERHEIM FAVORITEN REVITALISIERUNGS KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| V.M.G. VERMIETUNGSGESELLSCHAFT MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| ZAPADNI TRGOVACKI CENTAR D.O.O. | OTHER COMPANIES | RIJEKA | CROATIA | | | X | | X | |
| ANTUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| DBC SP.Z O.O. | OTHER COMPANIES | WARSAW | POLAND | | | X | | X | |

| | | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| Company Name | Type | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| ARRONDA IMMOBILIENVERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| BAREAL IMMOBILIENTREUHAND GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| NUOVA COMPAGNIA DI PARTECIPAZIONI SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| ATLANTERRA IMMOBILIENVERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| AUFBAU DRESDEN GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| SANITA' - S.R.L. IN LIQUIDAZIONE | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| CASH SERVICE COMPANY AD | OTHER COMPANIES | SOFIA | BULGARIA | | | X | | | X |
| DA VINCI S.R.L. | OTHER COMPANIES | ROME | ITALY | | | X | | | X |
| VIENNA DC TOWER 1 LIEGENSCHAFTSBESITZ GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| WED DONAU-CITY GESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| VIENNA DC BAUTRAEGER GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| COMTRADE GROUP B.V. | OTHER COMPANIES | ROTTERDAM | NETHERLANDS | | | X | | | X |
| JOHA GEBAEUDE- ERRICHTUNGS- UND VERMIETUNGS- GESELLSCHAFT M.B.H. | OTHER COMPANIES | LEONDING | AUSTRIA | | | X | | X | |
| UNO-EINKAUFSZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H. | OTHER COMPANIES | LEONDING | AUSTRIA | | | X | | X | |
| IMMOBILIEN HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| TREUCONSULT PROPERTY EPSILON GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| BA-CA WIEN MITTE HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| NF OBJEKTE BERLIN GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| NF OBJEKT MUNCHEN GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| NF OBJEKT FFM GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| MARINA TOWER HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| TRIESTE ADRIATIC MARITIME INITIATIVES SRL | OTHER COMPANIES | TRIESTE | ITALY | | | X | | X | |
| ADLER FUNDING LLC | OTHER COMPANIES | DOVER | U.S.A. | | | X | | | X |
| VILLINO PACELLI SRL | OTHER COMPANIES | ROME | ITALY | | | X | | X | |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| BORGO DI PEROLLA SRL | OTHER COMPANIES | MASSA MARITTIMA | ITALY | | | X | | X | |
| FONDIARIA LASA SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| SOCIETA' VERONESE GESTIONE COMPRAVENDITA IMMOBILI A R.L. | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| MEGAPARK OOD | OTHER COMPANIES | SOFIA | BULGARIA | | | X | | | X |
| ES SHARED SERVICE CENTER SOCIETA' PER AZIONI | OTHER COMPANIES | CERNUSCO SUL NAVIGLIO | ITALY | | | X | | | X |
| BULKMAX HOLDING LTD | OTHER COMPANIES | LA VALLETTA | MALTA | | | X | | | X |
| NAUTILUS TANKERS LIMITED | OTHER COMPANIES | LA VALLETTA | MALTA | | | X | | | X |
| WEALTHCAP ENTITY SERVICE GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| GENERAL LOGISTIC SOLUTIONS LLC | OTHER COMPANIES | MOSCOW | RUSSIA | | | X | | X | |
| FENICE HOLDING S.P.A. IN LIQUIDAZIONE | OTHER COMPANIES | CALENZANO | ITALY | | | X | | | X |
| VISCONTI SRL | OTHER COMPANIES | MILAN | ITALY | | | X | | X | |
| VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD | OTHER COMPANIES | BELGRADE | SERBIA | | | X | | X | |
| COINV S.P.A. | OTHER COMPANIES | MILAN | ITALY | | | X | | | X |
| BF NINE HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| WEALTHCAP AIRCRAFT 27 KOMPLEMENTAR GMBH | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| WEALTHCAP AIRCRAFT 27 GMBH & CO GESCHLOSSENE INVESTMENTKG | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| WMC AIRCRAFT 27 LEASING LIMITED | OTHER COMPANIES | DUBLIN | IRELAND | | | X | | X | |
| NORDBAHNHOF PROJEKTE HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| COMPAGNIA AEREA ITALIANA S.P.A. | OTHER COMPANIES | FIUMICINO (ROME) | ITALY | | | X | | | X |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| UNICREDIT SUBITO CASA SPA | OTHER COMPANIES | MILAN | ITALY | | | X | | X | |
| PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH | OTHER COMPANIES | BERLIN | GERMANY | | | X | | | X |
| WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| ARWAG HOLDING-AKTIENGESELLSCHAFT | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| B 03 IMMOBILIEN GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| B A I BETEILIGUNGSVERWALTUNGS-GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| BAI WOHNUNGSEIGENTUMSGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| DONAUMARINA PROJEKTENTWICKLUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| DOBLERHOF IMMOBILIEN GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| DR. W. W. DONATH IMMOBILIENVERWALTUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EKAZENT GEBAEUDEVERMIETUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EKAZENT IMMOBILIEN MANAGEMENT GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EKAZENT REALITAETENGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EUROGATE BETEILIGUNGSVERWALTUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EUROGATE PROJEKTENTWICKLUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| EUROGATE PROJEKTENTWICKLUNG GMBH & CO AREA BETA KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO "BETA" KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| WOHNPARK BRANDENBURG-GORDEN GMBH | OTHER COMPANIES | BRANDENBURG | GERMANY | | | X | | X | |
| HBF PROJEKTENTWICKLUNG DREI GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| HBF PROJEKTENTWICKLUNG EINS GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| HBF PROJEKTENTWICKLUNG ZWEI GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| HSG ZANDER GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| ZS EINKAUFSZENTRE ERRICHTUNGS- UND VERMIETUNGS-AKTIENGESELLSCHATF | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| INV TOTALUNTERNEHMER GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| KUR- UND SPORTHOTEL GESELLSCHAFT M.B.H. | OTHER COMPANIES | KITZBUHEL | AUSTRIA | | | X | | X | |
| LINDENGASSE BUROHAUSGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| LISCIV MUTHGASSE GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| MUTHGASSE ALPHA HOLDING GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| PRO WOHNBAU AG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| RVT BAUTRAEGER GESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O. | OTHER COMPANIES | LJUBLJANA | SLOVENIA | | | X | | X | |
| WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG | OTHER COMPANIES | HANNOVER | GERMANY | X | | | | X | |
| B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| WEALTHCAP LOS GATOS 131 ALBRIGHT WAY L.P. | OTHER COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| UNICREDIT OPERATIV LIZING KFT | OTHER COMPANIES | BUDAPEST | HUNGARY | | | X | | X | |
| U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| U2 ASPERN BAUPLATZ 1 GMBH & CO KG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| BUDDY SERVIZI MOLECOLARI SPA | OTHER COMPANIES | MILAN | ITALY | | | X | | X | |
| BALEA SOFT VERWALTUNGSGESELLSCHAFT MBH | OTHER COMPANIES | HAMBURG | GERMANY | | | X | | X | |
| WEALTHCAP SPEZIAL-AIF 5 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP OBJEKT-VORRAT 20 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP OBJEKT-VORRAT 19 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| PARSEC 6 SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| C.E.CO.S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA | OTHER COMPANIES | CATANIA | ITALY | | | X | | X | |
| ISTITUTO PER L'EDILIZIA POPOLARE DI SAN BERILLO SRL IN LIQUIDAZIONE | OTHER COMPANIES | CATANIA | ITALY | | | X | | X | |

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|---|---|---|---|---|---|---|---|---|---|
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| PISANA S.P.A. | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| CAVE NUOVE SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| S. MARIA DELLA GUARDIA S.R.L. | OTHER COMPANIES | CATANIA | ITALY | | | X | | X | |
| SAMAR SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| PARCO DELLE ACACIE DUE S.P.A. | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| WEALTHCAP PORTLAND PARK SQUARE, L.P. | OTHER COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| WEALTHCAP EQUITY MANAGEMENT GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| WEALTHCAP USA IMMOBILIEN VERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| PEKAO PROPERTY SA | OTHER COMPANIES | WARSAW | POLAND | | | X | | X | |
| BUCHSTEIN IMMOBILIENVERWALTUNG GMBH UND CO OG | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| BV GRUNDSTUCKSENTWICKLUNGS-GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| BV GRUNDSTUCKSENTWICKLUNGS-GMBH & CO. VERWALTUNGS-KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY | OTHER COMPANIES | BUDAPEST | HUNGARY | | | X | | X | |
| CUMTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |

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| DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK MOSE KG | OTHER COMPANIES | OLDENBURG | GERMANY | | | X | | X | |
| ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK KRAHENBERG KG | OTHER COMPANIES | OLDENBURG | GERMANY | | | X | | X | |
| ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK GREFRATH KG | OTHER COMPANIES | OLDENBURG | GERMANY | | | X | | X | |
| WEALTHCAP VORRATS-2 GMBH | OTHER COMPANIES | GRUNWALD | GERMANY | X | | | | X | |
| FORUM POLSKIEGO BIZNESU MEDIA SP.Z O.O. | OTHER COMPANIES | WARSAW | POLAND | | | X | | X | |
| GARAGE AM HOF GESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| GIMMO IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| GOLF- UND COUNTRY CLUB SEDDINER SEE IMMOBILIEN GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND) | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| H & B IMMOBILIEN GMBH & CO. OBJEKTE KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| H.F.S. IMMOBILIENFONDS GMBH | OTHER COMPANIES | EBERSBERG | GERMANY | | | X | | X | |
| HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| PENSIONSKASSE DER HYPO VEREINSBANK VVAG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| SALONE SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| BARD HOLDING GMBH | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| BARD ENGINEERING GMBH | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| BUITENGAATS HOLDING B.V. | OTHER COMPANIES | EEMSHAVEN | NETHERLANDS | | | X | | X | |
| CUXHAVEN STEEL CONSTRUCTION GMBH | OTHER COMPANIES | CUXHAVEN | GERMANY | | | X | | X | |
| OSI OFF-SHORE SERVICE INVEST GMBH | OTHER COMPANIES | HAMBURG | GERMANY | | | X | | X | |
| OWS OFF-SHORE WIND SOLUTIONS GMBH | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |

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| OWS WINDLIFT 1 CHARTER GMBH & CO. KG | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| OWS LOGISTIK GMBH | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| OWS NATALIA BEKKER GMBH & CO. KG | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| OWS OCEAN ZEPHYR GMBH & CO. KG | OTHER COMPANIES | EMDEN | GERMANY | | | X | | X | |
| AVIVA SPA | INSURANCE COMPANIES | MILAN | ITALY | | | X | X | | X |
| CREDITRAS ASSICURAZIONI SPA | INSURANCE COMPANIES | MILAN | ITALY | | | X | X | | X |
| CREDITRAS VITA SPA | INSURANCE COMPANIES | MILAN | ITALY | | | X | X | | X |
| INCONTRA ASSICURAZIONI S.P.A. | INSURANCE COMPANIES | MILAN | ITALY | | | X | X | | X |
| CNP UNICREDIT VITA S.P.A. | INSURANCE COMPANIES | MILAN | ITALY | | | X | X | | X |
| BANK PEKAO SA | BANKS | WARSAW | POLAND | X | | | | X | |
| UNICREDIT BULBANK AD | BANKS | SOFIA | BULGARIA | X | | | | X | |
| UNICREDIT BANK IRELAND PLC | BANKS | DUBLIN | IRELAND | X | | | | X | |
| ZAGREBACKA BANKA D.D. | BANKS | ZAGREB | CROATIA | X | | | | X | |
| PRVA STAMBENA STEDIONICA DD ZAGREB | BANKS | ZAGREB | CROATIA | X | | | | X | |
| UNICREDIT BANK D.D. | BANKS | MOSTAR | BOSNIA AND HERCEGOVINA | X | | | | X | |
| UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA | BANKS | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. | BANKS | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| UNICREDIT BANK HUNGARY ZRT. | BANKS | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT BANK SERBIA JSC | BANKS | BELGRADE | SERBIA | X | | | | X | |
| UNICREDIT LUXEMBOURG S.A. | BANKS | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| UNICREDIT JELZALOGBANK ZRT. | BANKS | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT BANK AUSTRIA AG | BANKS | VIENNA | AUSTRIA | X | | | | X | |
| LEASFINANZ BANK GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT BANK A.D. BANJA LUKA | BANKS | BANJA LUKA | BOSNIA AND HERCEGOVINA | X | | | | X | |
| SCHOELLERBANK AKTIENGESELLSCHAFT | BANKS | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT BANKA SLOVENIJA D.D. | BANKS | LJUBLJANA | SLOVENIA | X | | | | X | |
| UNICREDIT BANK AG | BANKS | MUNICH | GERMANY | X | | | | X | |
| FINECOBANK SPA | BANKS | MILAN | ITALY | X | | | | X | |

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| UNICREDIT BANK S.A. | BANKS | BUCHAREST | ROMANIA | X | | | | X | |
| BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH | BANKS | VIENNA | AUSTRIA | X | | | | X | |
| BANKHAUS NEELMEYER AG | BANKS | BREMEN | GERMANY | X | | | | X | |
| PEKAO BANK HIPOTECZNY S.A. | BANKS | WARSAW | POLAND | X | | | | X | |
| AO UNICREDIT BANK | BANKS | MOSCOW | RUSSIA | X | | | | X | |
| YAPI KREDI BANK NEDERLAND N.V. | BANKS | AMSTERDAM | NETHERLANDS | | X | | | | X |
| YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY | BANKS | BAKU | AZERBAIJAN | | X | | | | X |
| YAPI VE KREDI BANKASI AS | BANKS | ISTANBUL | TURKEY | | X | | | | X |
| YAPI KREDI BANK MOSCOW | BANKS | MOSCOW | RUSSIA | | X | | | | X |
| YAPI KREDI BANK MALTA LTD. | BANKS | ST. JULIAN'S | MALTA | | X | | | | X |
| MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA | BANKS | MILAN | ITALY | | | X | X | | X |
| NOTARTREUHANDBANK AG | BANKS | VIENNA | AUSTRIA | | | X | X | | X |
| OBERBANK AG | BANKS | LINZ | AUSTRIA | | | X | X | | X |
| OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT | BANKS | VIENNA | AUSTRIA | | | X | X | | X |
| OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. | BANKS | VIENNA | AUSTRIA | | | X | X | | X |
| BANQUE DE COMMERCE ET DE PLACEMENTS SA | BANKS | GENEVA | SWITZERLAND | | | X | X | | X |
| BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT | BANKS | INNSBRUCK | AUSTRIA | | | X | X | | X |
| BKS BANK AG | BANKS | KLAGENFURT | AUSTRIA | | | X | X | | X |
| CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| UNICREDIT LEASING S.P.A. | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| UNICREDIT FACTORING SPA | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |

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| PIONEER INVESTMENT MANAGEMENT LIMITED | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| PIONEER INVESTMENT MANAGEMENT USA INC. | FINANCIAL COMPANIES | WILMING TON | U.S.A. | X | | | | X | |
| PEKAO PIONEER P.T.E. SA | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| PIONEER PEKAO INVESTMENT FUND COMPANY SA (POLISH NAME: PIONEER PEKAO TFI SA) | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| PEKAO FAKTORING SP. ZOO | FINANCIAL COMPANIES | LUBLIN | POLAND | X | | | | X | |
| PIONEER INVESTMENT COMPANY AS | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| PIONEER GLOBAL FUNDS DISTRIBUTOR LTD | FINANCIAL COMPANIES | HAMILTO N | BERMUDA | X | | | | X | |
| PIONEER FUNDS DISTRIBUTOR INC | FINANCIAL COMPANIES | BOSTON | U.S.A. | X | | | | X | |
| PIONEER INVESTMENT MANAGEMENT INC | FINANCIAL COMPANIES | WILMING TON | U.S.A. | X | | | | X | |
| PIONEER ALTERNATIVE INVESTMENT MANAGEMENT LTD | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| PIONEER PEKAO INVESTMENT MANAGEMENT SA | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| PEKAO LEASING SP ZO.O. | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| PEKAO FINANCIAL SERVICES SP. ZOO | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| DOM INWESTYCYJNY XELION SP. Z O.O. | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| LOCAT CROATIA DOO | FINANCIAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| PIONEER GLOBAL INVESTMENTS LIMITED | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| PIONEER GLOBAL ASSET MANAGEMENT SPA | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| PIONEER ASSET MANAGEMENT SA | FINANCIAL COMPANIES | LUXEMB OURG | LUXEMBOU RG | X | | | | X | |
| CDM CENTRALNY DOM MAKLERSKI PEKAO SA | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| PIONEER ALTERNATIVE INVESTMENT MANAGEMENT (BERMUDA) LIMITED | FINANCIAL COMPANIES | HAMILTO N | BERMUDA | X | | | | X | |
| PIONEER ALTERNATIVE INVESTMENTS (NEW YORK) LTD | FINANCIAL COMPANIES | DOVER | U.S.A. | X | | | | X | |
| ZB INVEST DOO | FINANCIAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| PIONEER GLOBAL INVESTMENTS (AUSTRALIA) PTY LIMITED | FINANCIAL COMPANIES | SYDNEY | AUSTRALIA | X | | | | X | |
| PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LTD | FINANCIAL COMPANIES | RAMAT GAN | ISRAEL | X | | | | X | |
| PIONEER ASSET MANAGEMENT AS | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| ZAO LOCAT LEASING RUSSIA | FINANCIAL | MOSCO | RUSSIA | X | | | | X | |

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| | COMPANIES | W | | | | | | | |
| HVB CAPITAL LLC | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| HVB CAPITAL LLC II | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| HVB CAPITAL LLC III | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| UNICREDIT CAPITAL MARKETS LLC | FINANCIAL COMPANIES | NEW YORK | U.S.A. | X | | | | X | |
| HVB CAPITAL PARTNERS AG | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB EXPORT LEASING GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP PEIA MANAGEMENT GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB FUNDING TRUST II | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| UNICREDIT LEASING EAD | FINANCIAL COMPANIES | SOFIA | BULGARIA | X | | | | X | |
| HVB HONG KONG LIMITED | FINANCIAL COMPANIES | HONG KONG | CHINA | X | | | | X | |
| HVB IMMOBILIEN AG | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| UNICREDIT LEASING FINANCE GMBH | BANKS | HAMBURG | GERMANY | X | | | | X | |
| HVB INVESTMENTS (UK) LIMITED | FINANCIAL COMPANIES | GEORGE TOWN | CAYMAN ISLANDS | X | | | | X | |
| UNICREDIT LEASING CROATIA D.O.O. ZA LEASING | FINANCIAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| HVB LEASING CZECH REPUBLIC S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| UNICREDIT LEASING D.O.O. | FINANCIAL COMPANIES | SARAJEVO | BOSNIA AND HERCEGOVINA | X | | | | X | |
| UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD | FINANCIAL COMPANIES | BELGRADE | SERBIA | X | | | | X | |
| UNICREDIT LEASING GMBH | FINANCIAL COMPANIES | HAMBURG | GERMANY | X | | | | X | |
| UNICREDIT LEASING KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT LEASING HUNGARY ZRT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT LEASING TOB | FINANCIAL COMPANIES | KIEV | UKRAINE | X | | | | X | |
| HVB PROJEKT GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| STRUCTURED INVEST SOCIETE ANONYME | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| HVB TECTA GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| UNICREDIT U.S. FINANCE LLC | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| HVB VERWA 4 GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB VERWA 4.4 GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |

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| WEALTH MANAGEMENT CAPITAL HOLDING GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB-LEASING FORTE INGATLANHASNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING GARO INGATLANHSZNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING LAMOND INGATLANHASZNOSITO KFT (IN LIQUIDAZIONE) | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING MAESTOSO INGATLANHASZNOSITO KFT. | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT LEASING CORPORATION IFN S.A. | FINANCIAL COMPANIES | BUCHAREST | ROMANIA | X | | | | X | |
| HVBFF INTERNATIONAL GREECE GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVBFF INTERNATIONALE LEASING GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVBFF OBJEKT BETEILIGUNGS GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| PIONEER INSTITUTIONAL ASSET MANAGEMENT INC | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| HYPOVEREINSFINANCE N.V. | FINANCIAL COMPANIES | AMSTERDAM | NETHERLANDS | X | | | | X | |
| IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT TURN-AROUND MANAGEMENT GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| INTRO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| JAUSERN-LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PIONEER GLOBAL INVESTMENTS (TAIWAN) LTD. | FINANCIAL COMPANIES | TAIPEI | TAIWAN | X | | | | X | |
| UNICREDIT CONSUMER FINANCING EAD | FINANCIAL COMPANIES | SOFIA | BULGARIA | X | | | | X | |
| VANDERBILT CAPITAL ADVISORS LLC | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| KUNSTHAUS LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| LAGERMAX LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LARGO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LEASFINANZ GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LEGATO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING AVIATION GMBH | FINANCIAL COMPANIES | HAMBURG | GERMANY | X | | | | X | |
| LINO HOTEL-LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LIPARK LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PIONEER INVESTMENTS KAPITALANLAGEGESELLSCHAFT MBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT FACTORING EAD | FINANCIAL COMPANIES | SOFIA | BULGARIA | X | | | | X | |
| MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| MM OMEGA PROJEKTENTWICKLUNGS GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| MOBILITY CONCEPT GMBH | FINANCIAL COMPANIES | OBERHACHING | GERMANY | X | | | | X | |
| MOEGRA LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| OOO UNICREDIT LEASING | FINANCIAL COMPANIES | MOSCOW | RUSSIA | X | | | | X | |
| ORESTOS IMMOBILIEN-VERWALTUNGS GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| FINN ARSENAL LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PELOPS LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PIANA LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PIONEER ASSET MANAGEMENT S.A.I. S.A. | FINANCIAL COMPANIES | BUCHAREST | ROMANIA | X | | | | X | |
| PIONEER INVESTMENT FUND MANAGEMENT LIMITED | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| WEALTHCAP MANAGEMENT SERVICES GMBH | FINANCIAL COMPANIES | GRUNWALD | GERMANY | X | | | | X | |
| POSATO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| REAL ESTATE MANAGEMENT POLAND SP. Z O.O. | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| REAL-RENT LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SCHOELLERBANK INVEST AG | FINANCIAL COMPANIES | SALZBURG | AUSTRIA | X | | | | X | |
| SECA-LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT MOBILIEN UND KFZ LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SIA UNICREDIT LEASING | FINANCIAL COMPANIES | RIGA | LATVIA | X | | | | X | |
| SIGMA LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SONATA LEASING-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| STRUCTURED LEASE GMBH | FINANCIAL COMPANIES | HAMBURG | GERMANY | X | | | | X | |
| ALLEGRO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT AURORA LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA | FINANCIAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| TRINITRADE VERMOGENSVERWALTUNGS-GESELLSCHAFT MIT BESCHRANKTER HAFTUNG | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| ALLIB LEASING S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| ALMS LEASING GMBH. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| VERBA VERWALTUNGSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| CARD COMPLETE SERVICE BANK AG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BACA HYDRA LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING IMMOTRUCK ZRT. | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING RUBIN KFT. | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| HVB-LEASING SMARAGD KFT. | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| ARANY PENZUEGYI LIZING ZRT. | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT-LEASING NEPTUNUS KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| AI BETEILIGUNGS GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE | FINANCIAL COMPANIES | ROME | ITALY | X | | | | X | |
| FINECO VERWALTUNG AG (IN LIQUIDATION) | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| AUSTRIA LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FONDO SIGMA IMMOBILIARE | FINANCIAL COMPANIES | ROME | ITALY | X | | | | X | |
| WEALTHCAP INVESTORENBETREUUNG GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| B.I. INTERNATIONAL LIMITED | FINANCIAL COMPANIES | GEORGE TOWN | CAYMAN ISLANDS | X | | | | X | |
| UNICREDIT INGATLANLIZING ZRT | FINANCIAL COMPANIES | BEKESCABA | HUNGARY | X | | | | X | |
| BA CA LEASING (DEUTSCHLAND) GMBH | FINANCIAL COMPANIES | HAMBURG | GERMANY | X | | | | X | |
| BA CA SECUND LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA ALPINE HOLDINGS, INC. | FINANCIAL COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| UNICREDIT LEASING LUNA KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT LEASING URANUS KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT LEASING MARS KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| BA-CA ANDANTE LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BARODA PIONEER ASSET MANAGEMENT COMPANY LTD | FINANCIAL COMPANIES | MUMBAI | INDIA | X | | | | X | |

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| UNICREDIT BPC MORTGAGE S.R.L. | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| UNICREDIT CONSUMER FINANCING IFN S.A. | FINANCIAL COMPANIES | BUCHAREST | ROMANIA | X | | | | X | |
| UNICREDIT-LEASING HOSPES KFT | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| UNICREDIT GLOBAL LEASING EXPORT GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA-CA FINANCE (CAYMAN) II LIMITED | FINANCIAL COMPANIES | GEORGE TOWN | CAYMAN ISLANDS | X | | | | X | |
| BA-CA FINANCE (CAYMAN) LIMITED | FINANCIAL COMPANIES | GEORGE TOWN | CAYMAN ISLANDS | X | | | | X | |
| CALG IMMOBILIEN LEASING GMBH & CO. 1120 WIEN, SCHOENBRUNNER SCHLOSSSTRASSE 38-42 OG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG IMMOBILIEN LEASING GMBH & CO. PROJEKT VIER OG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA-CA LEASING DREI GARAGEN GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA-CA LEASING MAR IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT TECHRENT LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LUNA LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT POLARIS LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA-CA PRESTO LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING TECHNIKUM GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA/CA-LEASING BETEILIGUNGEN GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CORDUSIO SIM SPA | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| UNICREDIT OBG S.R.L. | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| BACA CENA IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BARODA PIONEER TRUSTEEE COMPANY PVT LTD | FINANCIAL COMPANIES | MUMBAI | INDIA | X | | | | X | |
| HJS 12 BETEILIGUNGSGESELLSCHAFT MBH | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| PIRTA VERWALTUNGS GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| DV ALPHA GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BACA KOMMUNALLEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BACA LEASING ALFA S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| BACA LEASING CARMEN GMBH | FINANCIAL | VIENNA | AUSTRIA | X | | | | X | |

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| | COMPANIES | | | | | | | | |
| BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT PEGASUS LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BACA-LEASING AQUILA INGATLANHASNOSITO KORLATOLT FELELOSSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| PIONEER INVESTMENTS (SCHWEIZ) GMBH | FINANCIAL COMPANIES | ZURICH | SWITZERLAND | X | | | | X | |
| WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA | FINANCIAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| BAL CARINA IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL DEMETER IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL HESTIA IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL HORUS IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL HYPNOS IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL LETO IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CASTELLANI LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAL SOBEK IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| ALPINE CAYMAN ISLANDS LTD. | FINANCIAL COMPANIES | GRAND CAYMAN | CAYMAN ISLANDS | X | | | | X | |
| BANK AUSTRIA FINANZSERVICE GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT KFZ LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING (AUSTRIA) GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING, LEASING, D.O.O. | FINANCIAL COMPANIES | LJUBLJANA | SLOVENIA | X | | | | X | |
| BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
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| BANK AUSTRIA WOHNBAUBANK AG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BIL LEASING-FONDS GMBH & CO VELUM KG | FINANCIAL COMPANIES | GRUNWALD | GERMANY | X | | | | X | |
| WEALTHCAP LEASING GMBH | FINANCIAL COMPANIES | GRUNWALD | GERMANY | X | | | | X | |
| WEALTHCAP EQUITY GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP FONDS GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP INITIATOREN GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PEKAO INVESTMENT BANKING SA | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| CA-LEASING EURO, S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| CA-LEASING OVUS S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| CA-LEASING SENIOREN PARK GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CABET-HOLDING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CABO BETEILIGUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LEASING SLOVAKIA A.S. | FINANCIAL COMPANIES | BRATISLAVA | SLOVAKIA | X | | | | X | |
| UNICREDIT LEASING CZ, A.S. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| CAFU VERMOEGENSVERWALTUNG GMBH & CO OG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| CAL-PAPIER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| CALG 307 MOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG 443 GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG 445 GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG 451 GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG ANLAGEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| CALG DELTA GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG IMMOBILIEN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CALG MINAL GRUNDSTUECKVERWALTUNG GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| PIONEER INVESTMENTS AUSTRIA GMBH | BANKS | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT LUXEMBOURG FINANCE SA | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| CHARADE LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CHEFREN LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| CONTRA LEASING-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| DEBO LEASING IFN S.A. | FINANCIAL COMPANIES | BUCHAREST | ROMANIA | X | | | | X | |
| DC BANK AG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| DINERS CLUB POLSKA SP.Z.O.O. | FINANCIAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| DINERS CLUB CS, S.R.O. | FINANCIAL COMPANIES | BRATISLAVA | SLOVAKIA | X | | | | X | |
| DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| EUROVENTURES-AUSTRIA-CA-MANAGEMENT GESMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FACTORBANK AKTIENGESELLSCHAFT | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG | FINANCIAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| FMZ SIGMA PROJEKTENTWICKLUNGS GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FOLIA LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FUGATO LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| WEALTHCAP REAL ESTATE MANAGEMENT GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| GBS GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |

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| GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG | OTHER COMPANIES | PULLACH | GERMANY | X | | | | X | |
| GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| WEALTHCAP INVESTMENT SERVICES GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING) | OTHER COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HERKU LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| HONEU LEASING GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SUCCESS 2015 B.V. | FINANCIAL COMPANIES | AMSTER DAM | AUSTRIA | X | | | | X | |
| CONSUMER THREE SRL (CARTOLARIZZAZIONE : CONSUMER THREE ) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| UNTERNEHMENGEWINNSCHEINFOND 1 | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2016) | FINANCIAL COMPANIES | CONEGLI ANO | ITALY | X | | | | X | |
| OCEAN BREEZE FINANCE S.A. - COMPARTMENT 1 | FINANCIAL COMPANIES | LUXEMB OURG | LUXEMBOU RG | X | | | | X | |
| HVB FUNDING TRUST | FINANCIAL COMPANIES | WILMING TON | U.S.A. | X | | | | X | |
| HVB FUNDING TRUST III | FINANCIAL COMPANIES | WILMING TON | U.S.A. | X | | | | X | |
| REDSTONE MORTGAGES LIMITED | FINANCIAL COMPANIES | LONDON | UNITED KINGDOM | X | | | | X | |
| EUROPEAN-OFFICE-FONDS | FINANCIAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| ALTUS ALPHA PLC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| EUROPE REAL-ESTATE INVESTMENT FUND | FINANCIAL COMPANIES | BUDAPE ST | HUNGARY | X | | | | X | |
| BA IMMO GEWINNSCHEIN FONDS1 | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2005) | FINANCIAL COMPANIES | CONEGLI ANO | ITALY | X | | | | X | |
| LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2006) | FINANCIAL COMPANIES | CONEGLI ANO | ITALY | X | | | | X | |
| REAL INVEST EUROPE D BA RI KAG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT BPC MORTAGE SRL (COVERED BONDS) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| UNICREDIT OBG SRL (COVERED BONDS) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |

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| CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE : BIPCA CORDUSIO RMBS) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE : CAPITAL MORTGAGE 2007 - 1) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| F-E MORTGAGES SRL (CARTOLARIZZAZIONE : F-E MORTGAGES 2005) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| F-E MORTGAGES SRL (CARTOLARIZZAZIONE : F-E MORTGAGES SERIES 1 - 2003) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| HELICONUS SRL (CARTOLARIZZAZIONE : HELICONUS) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS SECURITISATION - SERIE 2007) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS UCFIN - SERIE 2006) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS SECURITISATION - SERIE 2006) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| CONSUMER TWO SRL (CARTOLARIZZAZIONE : CONSUMER TWO) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| F-E GOLD SRL (CARTOLARIZZAZIONE : F-E GOLD) | FINANCIAL COMPANIES | MILAN | ITALY | X | | | | X | |
| NEWSTONE MORTGAGE SECURITIES NO.1 PLC | FINANCIAL COMPANIES | LONDON | UNITED KINGDOM | X | | | | X | |
| LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2014) | FINANCIAL COMPANIES | CONEGLIANO | ITALY | X | | | | X | |
| ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014) | FINANCIAL COMPANIES | VERONA | ITALY | X | | | | X | |
| KOC FINANSAL HIZMETLER AS | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | X | | | | X |
| STICHTING CUSTODY SERVICES YKB | FINANCIAL COMPANIES | AMSTERDAM | NETHERLANDS | | X | | | | X |
| YAPI KREDI HOLDING BV | FINANCIAL COMPANIES | AMSTERDAM | NETHERLANDS | | X | | | | X |
| YAPI KREDI FAKTORING AS | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | X | | | | X |
| YAPI KREDI YATIRIM MENKUL DEGERLER AS | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | X | | | | X |
| YAPI KREDI FINANSAL KIRALAMA AO | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | X | | | | X |

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| YAPI KREDI INVEST LIMITED LIABILITY COMPANY | INSURANCE COMPANIES | BAKU | AZERBAIJAN | | X | | | | X |
| YAPI KREDI PORTFOEY YOENETIMI AS | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | X | | | | X |
| YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE | FINANCIAL COMPANIES | GEORGE TOWN | CAYMAN ISLANDS | | X | | | | X |
| PEKAO FUNDUSZKAPITA OWY SP. Z O.O. IN LIQUIDATION | OTHER COMPANIES | WARSAW | POLAND | | | X | | X | |
| CREDIFARMA SPA | FINANCIAL COMPANIES | ROME | ITALY | | | X | X | | X |
| UNICREDIT BIZTOSITASKOEZVETITO KFT | INSURANCE COMPANIES | BUDAPEST | HUNGARY | | | X | X | X | |
| HVB GESELLSCHAFT FUR GEBAUDE BETEILIGUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| UNICREDIT LEASING FLEET MANAGEMENT S.R.L. | OTHER COMPANIES | BUCHAREST | ROMANIA | | | X | | X | |
| UNICREDIT INSURANCE BROKER EOOD | INSURANCE COMPANIES | SOFIA | BULGARIA | | | X | X | X | |
| UNICREDIT INSURANCE BROKER SRL | INSURANCE COMPANIES | BUCHAREST | ROMANIA | | | X | X | X | |
| HVB LIFE SCIENCE GMBH & CO. BETEILIGUNGS-KG | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| HVB LONDON INVESTMENTS (AVON) LIMITED | OTHER COMPANIES | LONDON | UNITED KINGDOM | | | X | | X | |
| UNICREDIT PARTNER D.O.O. BEOGRAD | INSURANCE COMPANIES | BELGRADE | SERBIA | | | X | X | X | |
| HVB VERWA 1 GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| HETA BA LEASING SUED GMBH | FINANCIAL COMPANIES | KLAGENFURT | AUSTRIA | | | X | X | | X |
| IVONA BETEILIGUNGSVERWALTUNG GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG | FINANCIAL COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| LIFE MANAGEMENT ERSTE GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA | OTHER COMPANIES | PUERTO DE LA CRUZ | SPAIN | | | X | | X | |
| UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG | INSURANCE COMPANIES | VIENNA | AUSTRIA | | | X | X | X | |
| MOVIE MARKET BETEILIGUNGS GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| OBJEKT-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | STOCKERAU | AUSTRIA | | | X | X | | X |

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| MARINA CITY ENTWICKLUNGS GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | | (***) |
| PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. | FINANCIAL COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| RCI FINANCIAL SERVICES S.R.O. | FINANCIAL COMPANIES | PRAGUE | CZECH REPUBLIC | | | X | X | | X |
| TERRONDA DEVELOPMENT B.V. | OTHER COMPANIES | AMSTERDAM | NETHERLANDS | | | X | | X | |
| TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| UNI GEBAEUDEMANAGEMENT GMBH | OTHER COMPANIES | LINZ | AUSTRIA | | | X | | | X |
| ALLIANZ YASAM VE EMEKLILIK AS | INSURANCE COMPANIES | ISTANBUL | TURKEY | | | X | X | | X |
| EUROPROGETTI & FINANZA S.P.A. IN LIQUIDAZIONE | FINANCIAL COMPANIES | ROME | ITALY | | | X | | | X |
| SOCIETA' DI GESTIONI ESATTORIALI IN SICILIA SO.G.E.SI. S.P.A. IN LIQ. | FINANCIAL COMPANIES | PALERMO | ITALY | | | X | | X | |
| SIA UNICREDIT INSURANCE BROKER | INSURANCE COMPANIES | RIGA | LATVIA | | | X | X | X | |
| UNICREDIT PARTNER LLC | INSURANCE COMPANIES | KIEV | UKRAINE | | | X | | X | |
| TORRE SGR S.P.A. | FINANCIAL COMPANIES | ROME | ITALY | | | X | X | | X |
| UNICREDIT BROKER D.O.O. SARAJEVO BROKERSKO DRUSTVO U OSIGURANJU | INSURANCE COMPANIES | SARAJEVO | BOSNIA AND HERCEGOVINA | | | X | X | X | |
| MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE | OTHER COMPANIES | ZAGREB | CROATIA | | | X | | | X |
| MACCORP ITALIANA SPA | FINANCIAL COMPANIES | MILAN | ITALY | | | X | X | | X |
| YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS | FINANCIAL COMPANIES | ISTANBUL | TURKEY | | | X | X | | X |
| PSA PAYMENT SERVICES AUSTRIA GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| SWANCAP PARTNERS GMBH | FINANCIAL COMPANIES | MUNICH | GERMANY | | | X | X | | X |
| BARN BV | FINANCIAL COMPANIES | AMSTERDAM | NETHERLANDS | | | X | X | | X |
| ASSET BANCARI II | FINANCIAL COMPANIES | MILAN | ITALY | | | X | X | | X |
| ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU | INSURANCE COMPANIES | ZAGREB | CROATIA | | | X | X | X | |
| UNICREDIT LEASING INSURANCE SERVICES S.R.O. | INSURANCE COMPANIES | BRATISLAVA | SLOVAKIA | | | X | X | X | |
| UNICREDIT INSURANCE MANAGEMENT CEE GMBH | INSURANCE COMPANIES | VIENNA | AUSTRIA | | | X | X | X | |
| FOCUS INVESTMENTS SPA | OTHER COMPANIES | MILAN | ITALY | | | X | | | X |

| Company Name | Type | Headquarter | | Consolidation in supervisory report (*) | | | | Consolidation IAS/IFRS | |
|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| ANTHEMIS UNICREDIT STRATEGIC VENTURES LLP | OTHER COMPANIES | LONDON | UNITED KINGDOM | | | X | | X | |
| CAPITAL DEV SPA | OTHER COMPANIES | ROME | ITALY | | | X | | X | |
| UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| UNICREDIT CENTER AM KAISERWASSER GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| BIL LEASING-FONDS VERWALTUNGS-GMBH | OTHER COMPANIES | GRUNWALD | GERMANY | | | X | | X | |
| WEALTHCAP INVESTMENTS INC. | OTHER COMPANIES | WILMINGTON | U.S.A. | X | | | | X | |
| UNICREDIT FLEET MANAGEMENT S.R.O. | OTHER COMPANIES | PRAGUE | CZECH REPUBLIC | | | X | | X | |
| UNICREDIT FLEET MANAGEMENT S.R.O. | OTHER COMPANIES | BRATISLAVA | SLOVAKIA | | | X | | X | |
| UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. | INSURANCE COMPANIES | PRAGUE | CZECH REPUBLIC | | | X | X | X | |
| UNICREDIT BROKER S.R.O. | INSURANCE COMPANIES | BRATISLAVA | SLOVAKIA | | | X | X | X | |
| CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH | OTHER COMPANIES | VIENNA | AUSTRIA | | | X | | X | |
| CBD INTERNATIONAL SP.ZO.O. | OTHER COMPANIES | WARSAW | POLAND | | | X | | | X |
| FIDES LEASING GMBH | FINANCIAL COMPANIES | VIENNA | AUSTRIA | | | X | X | | X |
| UNICREDIT PARTNER D.O.O. ZA TRGOVINU I USLUGE | OTHER COMPANIES | ZAGREB | CROATIA | | | X | | X | |
| HVB ASSET MANAGEMENT HOLDING GMBH | OTHER COMPANIES | MUNICH | GERMANY | | | X | | X | |
| GELDILUX-TS-2013 S.A. | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| GELDILUX-TS-2015 S.A. | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| ELEKTRA PURCHASE NO. 37 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 38 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ROSENKAVALIER 2015 UG | FINANCIAL COMPANIES | FRANKFURT | GERMANY | X | | | | X | |
| ELEKTRA PURCHASE NO. 41 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 43 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 47 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 48 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 42 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 46 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 39 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |

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|---|---|---|---|---|---|---|---|---|---|
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| ARABELLA FINANCE DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ROSENKAVALIER 2008 GMBH | FINANCIAL COMPANIES | FRANKFURT | GERMANY | X | | | | X | |
| GRAND CENTRAL FUNDING CORPORATION | FINANCIAL COMPANIES | NEW YORK | U.S.A. | X | | | | X | |
| FCT UCG TIKEHAU | FINANCIAL COMPANIES | PARIS | FRANCE | X | | | | X | |
| ELEKTRA PURCHASE NO. 28 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 17 S.A. - COMPARTEMENT 2 | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| ELEKTRA PURCHASE NO. 911 LTD | FINANCIAL COMPANIES | ST. HELIER | JERSEY | X | | | | X | |
| ELEKTRA PURCHASE NO. 31 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 32 S.A. | FINANCIAL COMPANIES | LUXEMBOURG | LUXEMBOURG | X | | | | X | |
| ELEKTRA PURCHASE NO. 35 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 36 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 33 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 34 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| ELEKTRA PURCHASE NO. 40 DAC | FINANCIAL COMPANIES | DUBLIN | IRELAND | X | | | | X | |
| UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI | INSTRUMENTAL COMPANIES | MILAN | ITALY | X | | | | X | |
| POMINVEST DD | INSTRUMENTAL COMPANIES | SPLIT | CROATIA | X | | | | X | |
| ZANE BH DOO | INSTRUMENTAL COMPANIES | SARAJEVO | BOSNIA AND HERCEGOVINA | X | | | | X | |
| ZAGREB NEKRETNINE DOO | INSTRUMENTAL COMPANIES | ZAGREB | CROATIA | X | | | | X | |
| UNI IT SRL | INSTRUMENTAL COMPANIES | TRENTO | ITALY | X | | | | X | |
| CENTRUM KART SA | INSTRUMENTAL COMPANIES | WARSAW | POLAND | X | | | | X | |
| UNICREDIT DIRECT SERVICES GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB PROFIL GESELLSCHAFT FUR PERSONALMANAGEMENT MBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HVB SECUR GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |

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|---|---|---|---|---|---|---|---|---|---|
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| HVZ GMBH & CO. OBJEKT KG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HYPO-BANK VERWALTUNGSZENTRUM GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1 | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| UNICREDIT FLEET MANAGEMENT EOOD | INSTRUMENTAL COMPANIES | SOFIA | BULGARIA | X | | | | X | |
| IMMOBILIEN RATING GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| KLEA ZS-IMMOBILIENVERMIETUNG G.M.B.H. | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H. | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H. | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| LASSALLESTRASSE BAU-, PLANUNGS-, ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H. | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG | INSTRUMENTAL COMPANIES | GRUNWALD | GERMANY | X | | | | X | |
| PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |

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|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| SAS-REAL INGATLANUEZEMELTETOE ES KEZELOE KFT. (ENGLISH :SAS-REAL KFT) | INSTRUMENTAL COMPANIES | BUDAPEST | HUNGARY | X | | | | X | |
| TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| POLLUX IMMOBILIEN GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| RIGEL IMMOBILIEN GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SIRIUS IMMOBILIEN GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE | INSTRUMENTAL COMPANIES | ROME | ITALY | X | | | | X | |
| SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE | INSTRUMENTAL COMPANIES | PARIS | FRANCE | X | | | | X | |
| BA BETRIEBSOBJEKTE GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA BETRIEBSOBJEKTE GMBH & CO BETA VERMIETUNGS OG | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA BETRIEBSOBJEKTE PRAHA, SPOL.S.R.O. | INSTRUMENTAL COMPANIES | PRAGUE | CZECH REPUBLIC | X | | | | X | |
| CRIVELLI SRL | INSTRUMENTAL COMPANIES | MILAN | ITALY | X | | | | X | |
| BA GEBAEUDEVERMIETUNGSGMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BA GVG-HOLDING GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| BALEA SOFT GMBH & CO. KG | INSTRUMENTAL COMPANIES | HAMBURG | GERMANY | X | | | | X | |
| BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA. | INSTRUMENTAL COMPANIES | SAN PAOLO | BRAZIL | X | | | | X | |
| BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| WEALTHCAP STIFTUNGSTREUHAND GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| CENTRUM BANKOWOSCI BEZPOSREDNIEJ SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSC | INSTRUMENTAL COMPANIES | KRAKOW | POLAND | X | | | | X | |
| UNICREDIT (CHINA) ADVISORY LIMITED (IN LIQUIDAZIONE) | INSTRUMENTAL COMPANIES | BEIJING | CHINA | X | | | | X | |

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|---|---|---|---|---|---|---|---|---|---|
| | | Town | Country | Full | Proportional | At Equity | Deduction (**) | Full | At Equity |
| DOMUS CLEAN REINIGUNGS GMBH | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| RAMSES IMMOBILIEN GESELLSCHAFT M.B.H. & CO OG | INSTRUMENTAL COMPANIES | VIENNA | AUSTRIA | X | | | | X | |
| FOOD & MORE GMBH | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |
| HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG | INSTRUMENTAL COMPANIES | MUNICH | GERMANY | X | | | | X | |

(*) Including the information related to the deduction from Own Funds, according to the disclosure request outlined under CRR article 436.

(**) With reference to the reporting period as of December 31st, 2016, UniCredit is exceeding the conditional deduction’s thresholds according to the CRR articles 46 and 470, regarding respectively not significant investments (NSI) and significant investments (SI) in common equity tier 1 capital instruments issued by financial sector entities.
To this regard, the calculation of deduction is performed as follows:
- NSI: proportional (pro-quota) allocation of the amount exceeding 10% threshold to the investments belonging to the deduction scope;
- SI: direct deduction for the amount exceeding the 10% and 15% thresholds (a pro-quota allocation is not necessary as the amount below the threshold is risk weighted 250% among the RWA, disregarding the type of the investment).

For sake of completeness, it is worth mentioning that - further to those entities listed the column “Deduction” - the scope of deductions also includes holdings in controlled and associated financial sector entities, carried at cost.

(***) Company classified in the Financial Statements as "non-current assets and disposal groups classified as held for sale" according to IFRS 5 and therefore valued at minor between fair value net of cost to sell and booking value.
The latter is determined by interrupting the valuation at Equity starting from the date of IFRS 5 classification.

## Names of all subsidiaries not included in the basis of consolidation and aggregate amount of their capital deficiencies with respect to any mandatory capital requirements.

Here follows a list of the banking, financial and instrumental companies directly or indirectly controlled by UniCredit S.p.A. registered in the Banking Group that are held at cost due to immateriality.
As at December 31, 2016, for these companies no capital deficiencies with respect to the any mandatory capital requirements were disclosed.

| Company Name | Type | Headquarter | |
|---|---|---|---|
| | | Town | Country |
| BANK AUSTRIA-CEE BETEILIGUNGSGMBH | FINANCIAL COMPANIES (*) | VIENNA | AUSTRIA |
| CAFU VERMOEGENSVERWALTUNG GMBH | FINANCIAL COMPANIES (*) | VIENNA | AUSTRIA |
| HVB SERVICES SOUTH AFRICA (PROPRIETARY) LIMITED | OTHER COMPANIES / INSTRUMENTAL COMPANIES (*) | JOHANNESBURG | SOUTH AFRICAN REPUBLIC |
| HVBFF PRODUKTIONSHALLE GMBH I.L. | FINANCIAL COMPANIES (*) | MUNICH | GERMANY |
| PALAIS ROTHSCHILD VERMIETUNGS GMBH | ALTRE SOCIETA' / SOCIETA' STRUMENTALI (*) | VIENNA | AUSTRIA |
| TREVI FINANCE S.R.L. | FINANCIAL COMPANIES (*) | CONEGLIANO | ITALY |
| UNICREDIT (U.K.) TRUST SERVICES LTD | OTHER COMPANIES / INSTRUMENTAL COMPANIES (*) | LONDON | UNITED KINGDOM |
| UNICREDIT CAIB SECURITIES UK LTD. | FINANCIAL COMPANIES (*) | LONDON | UNITED KINGDOM |
| VEREINWEST OVERSEAS FINANCE (JERSEY) LIMITED (IN LIQ.) | FINANCIAL COMPANIES (*) | ST. HELIER | JERSEY |

(*) Company belonging to the Banking Group consolidated at cost due to immateriality

# Declaration by the Manager charged with preparing the financial reports

The undersigned, Francesco Giordano, in her capacity as the Manager charged with preparing the financial reports of UniCredit S.p.A.

DECLARES

that, pursuant to article 154-bis, paragraph 2, of the “Consolidated Law on Financial Intermediation”, the information disclosed in this document corresponds to the accounting documents, books and records.

Milan – March 13, 2017

Francesco Giordano