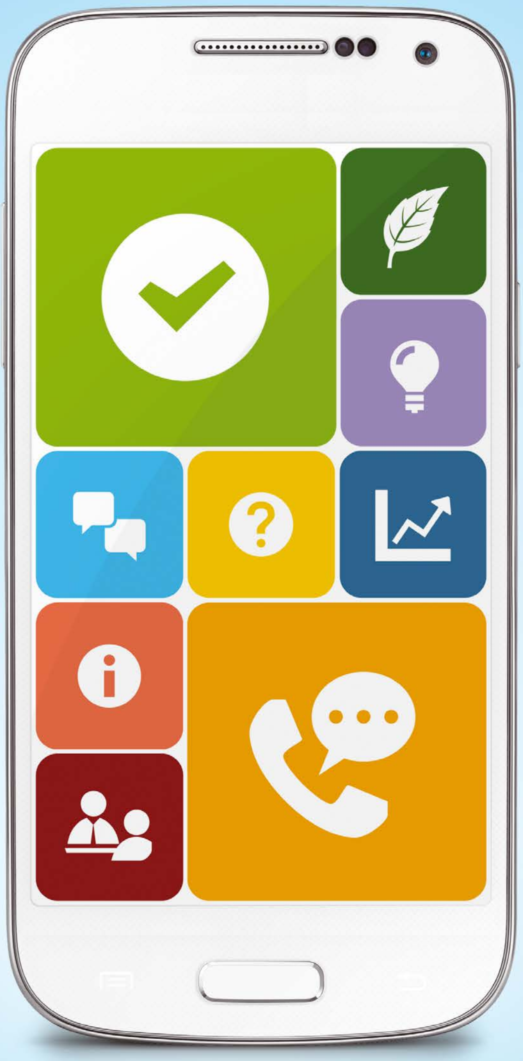
UniCredit



Listen,
understand,
respond.

Consolidated Interim Report as at March 31, 2014

15 years UniCredit

This report expresses UniCredit's approach to banking by telling everyday stories about our interactions with Customers, innovations in products and adaptability in services.

These brief but meaningful stories come directly from our colleagues. They are examples of the tangible benefits and concrete solutions offered by UniCredit, demonstrating how we make a difference in people's lives.

Our clear goal to improve everyday circumstances is rooted in our complete commitment to outcomes that ensure Customer satisfaction.

At UniCredit, listening to our Clients and engaging with them to offer simple, direct results lies at the heart of our commercial banking operations. It is part of our determined effort to contribute to the economic and social well-being of our Customers as well as the communities where we work.

We will continue with this commitment to all of you, every day.

Consolidated Interim Report as at March 31, 2014

Collaborate

More efficiency, better results.

A long-standing Client of UniCredit, had been owned since 2008 by a US private equity fund. The Company consistently recorded good results and after four years, the equity fund began to consider the best options for maximizing its investment. The transaction was quite complex, involving many teams in UniCredit who worked in unison, like an orchestra, to achieve the same objective, that of satisfying all the clients involved.
Our intervention enabled all of the potential buyers to be well supported and the deal was concluded in a very short time, allowing the Company to **continue its growth** path under a new shareholder, also a key Client of UniCredit. The US equity fund managed to achieve **a very successful investment**. One deal, more satisfied Clients.
Working together for the same objective produces excellent results.

CIB Financial Sponsor Solutions - ITALY

Contents

Notes

The following conventional symbols have been used in the tables:

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

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

Facilitate

Finding solutions to make everything easier.

"Due to an internal bug, one of my Customers received funds to pay staff salaries two days late.
I did everything I could to find a solution. I asked my colleagues for help, and together we came up with a response: we compensated for the two lost days in their wages the next month. The Customer called to thank me for solving the issue quickly.
We showed that our **bank is easy to deal with**."

Peter Tschöp - Financial Institutions Group - CIB Global Division
UniCredit Bank Austria

Introduction

Board of Directors, Board of Statutory Auditors and External Auditors

Board of Directors, Board of Statutory Auditors and External Auditors as at March 31, 2014

Board of Directors

Giuseppe Vita	**Chairman**
Candido Fois	**Deputy Vice Chairman**
Vincenzo Calandra Buonaura Luca Cordero di Montezemolo Fabrizio Palenzona	**Vice Chairmen**
Federico Ghizzoni	**CEO**
Mohamed Ali Al Fahim Manfred Bischoff Henryka Bochniarz Alessandro Caltagirone Francesco Giacomin Helga Jung Marianna Li Calzi Luigi Maramotti Giovanni Quaglia Lucrezia Reichlin Lorenzo Sassoli de Bianchi Alexander Wolfgring Anthony Wyand	**Directors**
Gianpaolo Alessandro	**Company Secretary**

Board of Statutory Auditors

Maurizio Lauri	**Chairman**
Giovanni Battista Alberti Cesare Bisoni Enrico Laghi Maria Enrica Spinardi	**Standing Auditors**
Federica Bonato Paolo Domenico Sfameni Beatrice Lombardini	**Alternate Auditors**
Roberto Nicastro	**General Manager**
Marina Natale	**Manager charged with preparing the financial reports**
Deloitte & Touche S.p.A.	**External Auditors**

UniCredit S.p.A.
A joint stock company
Registered Office in Rome: Via Alessandro Specchi, 16 - 00186 Rome
Head Office in Milan: Piazza Gae Aulenti 3 - Tower A - 20154 Milan
Share capital €19,682,999,698.27 fully paid in, Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1;
Cod. ABI 02008.1
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

Prefatory Note to the Consolidated Interim Report

General aspects

This Consolidated Interim Report as at **March 31, 2014** has been prepared in consolidated form as dictated by Article 154-ter of the Consolidated Law on Financial Intermediation introduced by Legislative Decree No. 195/07 to implement EU Directive 204/109/EC concerning periodic reporting, as described in the Further information at the end of this document.

Press releases on significant events during the period, the market presentation on 2014 first quarter results and the disclosure by institutions pursuant to Regulation (EU) No. 575/2013 (Pillar 3) are also available on UniCredit's website.

Any discrepancies between data disclosed in the Consolidated Interim Report are solely due to the effect of rounding.

Preparation criteria

The Consolidated Interim Report as at March 31, 2014, which is presented in condensed form, was prepared under the IAS/IFRS in force.

The structure of this report references quarterly reports from previous periods with condensed reclassified tables for the balance sheet and income statement.

The items of the condensed balance sheet and income statement refer to the Bank of Italy instructions laid down in circular 262/05, including the aggregations and reclassifications disclosed in the "Note to the Report on Operations and the Consolidated Accounts" and in "Annex 1" contained in the "2013 Consolidated Reports and Accounts".

In particular, please note that as from the first quarter of 2014, only for the purposes of the Condensed Consolidated Income Statement, the results of the few industrial companies consolidated line by line will be fully abridged as net profit in the line "Net Other Expenses/Income" in order to focus the P&L lines on the pure banking activities.

For further information on the "accounting policies" see the Notes to the Consolidated Accounts relating to the Consolidated accounts as at December 31, 2013.

It should also be noted that, for the purposes of the Consolidated Interim Report as at March 31, 2014, the recoverable amount of tangible and intangible assets - including goodwill and assets evaluated on the same estimates - was not remeasured. The need to update such measurement will be re-assessed for the purposes of the Consolidated First Half Financial Report as at June 30, 2014.

Since January 1, 2014 the amortization period of certain intangible assets (software) has been extended from 5 to 7 years in order to better reflect their technical useful life, determined on the basis of the historical experience of usage by the Group and the estimates of technical obsolescence. As required by IAS 38 and IAS 8, this extension has been accounted for prospectively, being a change in accounting estimates, and will result in the recognition in 2014 of lower amortization expense for about €44 million.

In those cases in which the accounts did not fully reflect the reporting of items on an accruals basis, such as certain administrative expenses, the accounting figure was supplemented by estimates based on the budget.

For more details on how the Scope of consolidation changed following the introduction of IFRS 10 and IFRS 11, effective from January 1, 2014, see the "Further information" section of this report.

For consolidation purposes, the accounts as at March 31, 2014 of the Parent Company and subsidiaries were used and were properly reclassified and adjusted to take into account consolidation requirements, and modified as necessary to bring them into line with Group accounting principles.

All intercompany balance sheet and operating figures of a material amount were eliminated. All unreconciled amounts were posted to other assets or liabilities or to net other income/expenses, if not related to interests or commissions.

Lastly, please note that with reference to the foregoing changes, made as from the first quarter of 2014, comparative information was restated accordingly.

Consolidated Interim Report is accompanied by the following details:
- Highlights;
- Condensed Accounts;
- Quarterly Figures;
- Segment Reporting (Summary);
- How the UniCredit group has grown;
- UniCredit Share;

as well as:
- Group Results;
- Results by Business Segment;
- Other information;
- Subsequent Events and Outlook;
- Further information;
- Declaration by the Manager charged with preparing the financial reports.

This Consolidated Interim Report is not audited by the External Auditors.

Scope of consolidation

During the first quarter of 2014 the scope of consolidation underwent changes mainly due to the introduction of IFRS 10 and IFRS 11, effective from January 1, 2014.

Compared to December 31, 2013:
- fully consolidated subsidiaries increased by 23 entities (29 inclusions, of which 27 following the introduction of IFRS 10, and 2 acquisitions and 6 disposals) from 732 to 755;
- proportionately consolidated entities numbered 0 (they numbered 26 as at December 31, 2013) as a result of the introduction of IFRS 11;
- companies consolidated at equity increased from 59 to 76 as a result of the inclusion of 18 companies (previously consolidated proportionately) and the disposal of 1 company.

More details on the effects of the first application of IFRS 10 and IFRS 11 can be found in the "Further information" section of this report.

Non-current assets and disposal groups held for sale

As at March 31, 2014, the main items reclassified according to IFRS 5 under non-current assets and asset groups held for disposal were mainly related to:
- with respect to the individual asset and liabilities held for sale:
  - SIA S.p.A.;
  - Business Oil of Italpetroli group;
  - properties owned by Group's entities;
- with respect to discontinued operations, the following Ukrainian companies:
  - BDK CONSULTING;
  - PUBLIC JOINT STOCK COMPANY UKRSOTSBANK;
  - PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL;
  - LLC UKROTSBUD;
  - LTD SI&C AMC UKRSOTS REAL ESTATE;
  - SVIF UKRSOTSBUD.

Segment Reporting (Summary)

Segment reporting is presented and commented on the basis of the organizational structure currently used in management reporting of Group results, which consists of the following business segments:
- Commercial Banking Italy;
- Commercial Banking Germany;
- Commercial Banking Austria;
- Poland;
- CEE Division;
- CIB;
- Asset Management;
- Asset Gathering;
- Non-core;
- Governance/Group Corporate Centre (including Global Banking Services, Corporate Centre Global Function, inter-segment adjustments and consolidation adjustments not attributable to individual segments).

The *"Non-core"* segment was introduced in the first quarter of 2014. It includes selected assets of Commercial Banking Italy (identified on a single transaction/customer basis) and the activities of the company UniCredit Credit Management Bank and of some securitization SPVs.

Reclassified Financial Assets

EC Regulation 1004 dated October 15, 2008 transposed the changes made to IAS 39 and IFRS 7 "Reclassification of financial assets" by the IASB. These changes applied as from July 1, 2008 and allow, after initial recognition, the reclassification of certain "held for trading" and "available for sale" financial assets.

The following may be reclassified:
- "Held for trading" and "available for sale" financial assets which would have complied with the IFRS definition of loans and receivables (if they had not been recognized as "held for trading" and "available for sale" financial assets on initial recognition), provided that the entity has the intention and ability to hold them for the foreseeable future or to maturity;
- "Only in rare circumstances" held for trading financial assets failed to satisfy the loans and receivables definition on initial recognition and § 2 of the above Regulation noted that "the current financial crisis is considered one of such rare circumstances that may justify the use of this option (sc. Reclassification) by the entity".

A portion of financial instruments held for trading and available for sale were reclassified between H2 2008 and H1 2009, as the rare circumstance of the financial crisis had been recognized in respect of assets held for trading.

The following table provides the book value and fair value as at March 31, 2014 of assets which had been reclassified in H2 2008 and H1 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.

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

(€ '000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	BOOK VALUE AS AT 03.31.2014	FAIR VALUE AS AT 03.31.2014	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX)		INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAX)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			**4,812,911**	**4,926,733**	**145,870**	**34,242**	**3,194**	**38,989**
	Held for trading	Available for sale	10,621	10,621	436	144	432	164
	Held for trading	Held to maturity	180,410	184,924	(1,040)	1,475	-	1,364
	Held for trading	Loans to Banks	1,425,178	1,504,605	14,626	9,460	-	12,123
	Held for trading	Loans to Customers	3,067,997	3,100,526	126,333	22,711	2,762	23,794
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	128,705	126,057	5,515	452	-	1,544
B. Equity instruments			**-**	**-**	**-**	**-**	**-**	**-**
	Held for trading	Available for sale	-	-	-	-	-	-
C. Loans			**313,394**	**340,750**	**8,754**	**4,016**	**-**	**3,944**
	Held for trading	Available for sale	-	-	-	-	-	-
	Held for trading	Held to maturity	-	-	-	-	-	-
	Held for trading	Loans to Banks	83,096	86,521	463	771	-	861
	Held for trading	Loans to Customers	230,298	254,229	8,291	3,245	-	3,083
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	-	-	-	-	-	-
D. Units in investment funds			**-**	**-**	**-**	**-**	**-**	**-**
	Held for trading	Available for sale	-	-	-	-	-	-
Total			**5,126,305**	**5,267,483**	**154,624**	**38,258**	**3,194**	**42,933**

Debt securities reclassified in the loan with customers portfolio include structured credit products for an amount of €2,557 million at March 31, 2014.

Innovate

Processes and time savings that serve people’s goals.

Thanks to us, farmers can now get funds more rapidly. The Ministry of Agriculture has developed a faster method to make state incentive payments, based on a proposal from our bank.
The method is related to an existing program that allows Customers who meet certain requirements to obtain a **fast-track loan**. When the loan is approved, they can access their funds on the same day. This **innovative solution** is **meeting the needs of more than 2,300** farmers.

Legal Support for the Area Corporate Banking
UniCredit Bank Banja Luka - BOSNIA AND HERZEGOVINA

Consolidated Interim Report

Unless otherwise indicated, all amounts are in **millions of euros.**

Highlights

Income Statement

(€ million)

	Q1		
	2014	2013	CHANGE
Operating income	5,578	5,785	- 3.6%
of which: - net interest	*3,077*	*3,057*	*+ 0.6%*
- dividends and other income from equity investments	*104*	*144*	*- 27.8%*
- net fees and commissions	*1,890*	*1,892*	*- 0.1%*
Operating costs	(3,510)	(3,576)	- 1.8%
Operating profit	2,068	2,209	- 6.4%
Profit (loss) before tax	1,275	955	+ 33.5%
Net profit (loss) attributable to the Group	**712**	**449**	**+ 58.8%**

The figures in this table refer to reclassified income statement.

Balance Sheet

(€ million)

	AMOUNTS AS AT		
	03.31.2014	12.31.2013	CHANGE
Total assets	841,623	827,538	+ 1.7%
Financial assets held for trading	79,368	80,701	- 1.7%
Loans and receivables with customers	484,817	484,309	+ 0.1%
of which: - impaired loans	*39,281*	*39,746*	*- 1.2%*
Financial liabilities held for trading	62,622	63,799	- 1.8%
Deposits from customers and debt securities in issue	560,238	557,764	+ 0.4%
of which: - deposits from customers	*397,165*	*393,498*	*+ 0.9%*
- securities in issue	*163,073*	*164,266*	*- 0.7%*
Shareholders' Equity	**47,460**	**46,722**	**+ 1.6%**

The figures in this table refer to reclassified balance sheet.
See § "Net Impairment Losses on Loans and Provision for Guarantees and Commitments" in this Consolidated Interim Report for more details.

Staff and Branches

	AS AT		
	03.31.2014	12.31.2013	CHANGE
Employees[1]	131,333	132,122	-789
Branches[2]	7,921	8,954	-1,033
of which: - Italy	*4,130*	*4,171*	*-41*
- Other countries	*3,791*	*4,783*	*-992*

1. "Full time equivalent" data (FTE): number of employees counted for the rate of presence. Figures as at December 31, 2013 were restated following the introduction of IFRS 10 e IFRS 11.
2. 2013 figure includes the branches of the Koç/Yapi Kredi group (Turkey).

Profitability Ratios

	Q1		
	2014	2013	CHANGE
EPS[1] (€)	0.48	0.32	+0.16
Cost/income ratio	62.9%	61.8%	112bp
EVA[2] (€ million)	(541)	(824)	+ 283

1. Annualized figure. Net profit for Q1 2014, amounting to €712,422 thousand, decreased by €35,466 thousand due to the disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the 'cashes' transaction (no disbursements relating to Q1 2013).
2. Economic Value Added, equal to the difference between NOPAT (net operating profit after tax) and the cost of capital.

Risk Ratios

	AS AT	
	03.31.2014	12.31.2013
Net non-performing loans to customers/Loans to customers	3.77%	3.74%
Net impaired loans to customers/Loans to customers	8.10%	8.21%

See § "Net Impairment Losses on Loans and Provision for Guarantees and Commitments" in this Consolidated Interim Report for more details.

Own Funds and Capital Ratios

	AS AT	
	03.31.2014	12.31.2013
Total own funds (€ million)	57,738	57,651
Total risk-weighted assets (€ million)	418,870	423,739
Common Equity Tier 1 Capital Ratio	**9.72%**	**9.60%**
Total Own Funds Capital Ratio	**13.78%**	**13.61%**

See § "Capital and Value Management - Capital Ratios", for more details.

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Fitch Ratings	F2	BBB+	NEGATIVE	bbb+
Moody's Investors Service	P-2	Baa2	STABLE	D+
Standard & Poor's	A-2	BBB	NEGATIVE	bbb

Data as at March 25, 2014.

Condensed Accounts

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT 03.31.2014	AMOUNTS AS AT 12.31.2013	CHANGE AMOUNT	CHANGE PERCENT
Cash and cash balances	12,499	10,520	+ 1,979	+ 18.8%
Financial assets held for trading	79,368	80,701	- 1,332	- 1.7%
Loans and receivables with banks	73,093	62,685	+ 10,407	+ 16.6%
Loans and receivables with customers	484,817	484,309	+ 508	+ 0.1%
Financial investments	129,451	125,839	+ 3,611	+ 2.9%
Hedging instruments	12,586	12,390	+ 196	+ 1.6%
Property, plant and equipment	10,690	10,818	- 128	- 1.2%
Goodwill	3,528	3,533	- 5	- 0.1%
Other intangible assets	1,797	1,793	+ 4	+ 0.2%
Tax assets	19,635	19,834	- 199	- 1.0%
Non-current assets and disposal groups classified as held for sale	3,166	3,928	- 763	- 19.4%
Other assets	10,994	11,187	- 193	- 1.7%
Total assets	**841,623**	**827,538**	**+ 14,085**	**+ 1.7%**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 03.31.2014	AMOUNTS AS AT 12.31.2013	CHANGE AMOUNT	CHANGE PERCENT
Deposits from banks	118,253	107,445	+ 10,808	+ 10.1%
Deposits from customers	397,165	393,498	+ 3,667	+ 0.9%
Debt securities in issue	163,073	164,266	- 1,194	- 0.7%
Financial liabilities held for trading	62,622	63,799	- 1,178	- 1.8%
Financial liabilities designated at fair value	638	711	- 73	- 10.3%
Hedging instruments	13,521	12,745	+ 775	+ 6.1%
Provisions for risks and charges	9,115	9,459	- 344	- 3.6%
Tax liabilities	4,156	3,900	+ 256	+ 6.6%
Liabilities included in disposal groups classified as held for sale	1,447	2,129	- 682	- 32.0%
Other liabilities	20,784	19,530	+ 1,255	+ 6.4%
Minorities	3,391	3,334	+ 57	+ 1.7%
Group Shareholders' Equity:	47,460	46,722	+ 738	+ 1.6%
- Capital and reserves	*46,595*	*61,002*	*- 14,407*	*- 23.6%*
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve	*152*	*(315)*	*+ 467*	*n.s.*
- Net profit (loss)	*712*	*(13,965)*	*+ 14,677*	*n.s.*
Total liabilities and Shareholders' Equity	**841,623**	**827,538**	**+ 14,085**	**+ 1.7%**

Notes:
Comparative figures as at December 31, 2013 were restated following the introduction of IFRS 10 and IFRS 11. For further details see the "Further information" section of this Consolidated Interim Report.

Consolidated Income Statement

(€ million)

	Q1 2014	Q1 2013	CHANGE €M	CHANGE PERCENT	CHANGE ADJUSTED[1]
Net interest	3,077	3,057	+ 20	+ 0.6%	+ 2.1%
Dividends and other income from equity investments	104	144	- 40	- 27.8%	- 16.5%
Net fees and commissions	1,890	1,892	- 2	- 0.1%	+ 0.7%
Net trading income	472	638	- 166	- 26.1%	- 26.2%
Net other expenses/income	36	54	- 18	- 33.6%	- 32.0%
OPERATING INCOME	**5,578**	**5,785**	**- 207**	**- 3.6%**	**- 2.3%**
Payroll costs	(2,087)	(2,142)	+ 56	- 2.6%	- 2.0%
Other administrative expenses	(1,399)	(1,325)	- 74	+ 5.6%	+ 6.2%
Recovery of expenses	191	146	+ 45	+ 30.8%	+ 29.6%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(216)	(255)	+ 39	- 15.2%	- 14.3%
Operating costs	**(3,510)**	**(3,576)**	**+ 65**	**- 1.8%**	**- 1.1%**
OPERATING PROFIT (LOSS)	**2,068**	**2,209**	**- 141**	**- 6.4%**	**- 4.2%**
Net write-downs on loans and provisions for guarantees and commitments	(838)	(1,173)	+ 334	- 28.5%	- 27.0%
NET OPERATING PROFIT (LOSS)	**1,230**	**1,037**	**+ 193**	**+ 18.6%**	**+ 21.4%**
Provisions for risks and charges	(14)	(99)	+ 85	- 86.1%	- 85.7%
Integration costs	(4)	(3)	- 1	+ 13.9%	+ 14.7%
Net income from investments	62	20	+ 42	+ 208.6%	+ 209.1%
PROFIT (LOSS) BEFORE TAX	**1,275**	**955**	**+ 320**	**+ 33.5%**	**+ 36.4%**
Income tax for the period	(408)	(348)	- 60	+ 17.1%	+ 18.5%
NET PROFIT (LOSS)	**867**	**607**	**+ 260**	**+ 42.8%**	**+ 46.6%**
Profit (Loss) from non-current assets held for sale, after tax	3	24	- 21	- 85.9%	- 83.3%
PROFIT (LOSS) FOR THE PERIOD	**870**	**631**	**+ 239**	**+ 37.9%**	**+ 41.7%**
Minorities	(83)	(84)	+ 1	- 1.2%	- 2.1%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**787**	**547**	**+ 240**	**+ 44.0%**	**+ 48.6%**
Purchase Price Allocation effect	(74)	(98)	+ 24	- 24.1%	- 24.0%
Goodwill impairment	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**712**	**449**	**+ 264**	**+ 58.8%**	**+ 64.5%**

Notes:

1. Changes at constant foreign exchange rates and perimeter.

As from the first quarter of 2014, the results of the few industrial companies consolidated line by line will be fully abridged as net profit in the line "Net Other Expenses/Income in order to focus the P&L lines on the pure banking activities. The previous period was restated accordingly. For further information see the Prefatory Note to the Consolidated Interim Report.

In addition, please note that comparative figures relating to the first quarter of 2013 were also restated following the introduction of IFRS 10 and IFRS 11. For further details see the "Further information" section of this Consolidated Interim Report.

Quarterly Figures

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT 03.31.2014	AMOUNTS AS AT 12.31.2013	09.30.2013	06.30.2013	03.31.2013
Cash and cash balances	12,499	10,520	6,692	6,708	6,743
Financial assets held for trading	79,368	80,701	87,802	93,584	98,451
Loans and receivables with banks	73,093	62,685	72,825	67,637	79,342
Loans and receivables with customers	484,817	484,309	505,181	511,146	515,631
Financial investments	129,451	125,839	118,276	117,213	111,586
Hedging instruments	12,586	12,390	15,184	15,946	17,947
Property, plant and equipment	10,690	10,818	11,016	11,235	11,301
Goodwill	3,528	3,533	11,308	11,313	11,406
Other intangible assets	1,797	1,793	3,717	3,762	3,811
Tax assets	19,635	19,834	17,359	17,306	17,658
Non-current assets and disposal groups classified as held for sale	3,166	3,928	3,902	4,185	7,951
Other assets	10,994	11,187	11,522	10,056	11,032
Total assets	**841,623**	**827,538**	**864,782**	**870,091**	**892,859**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 03.31.2014	AMOUNTS AS AT 12.31.2013	09.30.2013	06.30.2013	03.31.2013
Deposits from banks	118,253	107,445	124,329	125,847	117,374
Deposits from customers	397,165	393,498	382,679	385,828	387,743
Debt securities in issue	163,073	164,266	162,090	163,234	165,777
Financial liabilities held for trading	62,622	63,799	77,499	77,832	92,994
Financial liabilities designated at fair value	638	711	700	684	759
Hedging instruments	13,521	12,745	15,042	16,142	20,062
Provisions for risks and charges	9,115	9,459	8,773	8,692	8,773
Tax liabilities	4,156	3,900	4,913	4,898	7,542
Liabilities included in disposal groups classified as held for sale	1,447	2,129	2,102	2,228	5,964
Other liabilities	20,784	19,530	21,513	19,681	19,436
Minorities	3,391	3,334	3,963	3,831	4,186
Group Shareholders' Equity:	47,460	46,722	61,179	61,195	62,250
- Capital and reserves	*46,595*	*61,002*	*60,874*	*61,259*	*62,412*
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefit plans reserve	*152*	*(315)*	*(709)*	*(874)*	*(610)*
- Net profit (loss)	*712*	*(13,965)*	*1,014*	*810*	*449*
Total liabilities and Shareholders' Equity	**841,623**	**827,538**	**864,782**	**870,091**	**892,859**

Notes:
Comparative figures for each quarter of 2013 were restated following the introduction of IFRS 10 and IFRS 11. For further details see the “Further information” section of this Consolidated Interim Report.

Consolidated Income Statement

(€ million)

	2014	2013			
	Q1	Q4	Q3	Q2	Q1
Net interest	3,077	3,139	3,032	3,075	3,057
Dividends and other income from equity investments	104	191	362	264	144
Net fees and commissions	1,890	1,853	1,794	1,822	1,892
Net trading income	472	593	372	902	638
Net other expenses/income	36	(6)	102	36	54
OPERATING INCOME	**5,578**	**5,770**	**5,662**	**6,099**	**5,785**
Payroll costs	(2,087)	(2,045)	(2,080)	(2,107)	(2,142)
Other administrative expenses	(1,399)	(1,434)	(1,281)	(1,316)	(1,325)
Recovery of expenses	191	212	165	193	146
Amortisation, depreciation and impairment losses on intangible and tangible assets	(216)	(479)	(251)	(254)	(255)
Operating costs	**(3,510)**	**(3,746)**	**(3,448)**	**(3,484)**	**(3,576)**
OPERATING PROFIT (LOSS)	**2,068**	**2,024**	**2,215**	**2,615**	**2,209**
Net write-downs on loans and provisions for guarantees and commitments	(838)	(9,295)	(1,482)	(1,532)	(1,173)
NET OPERATING PROFIT (LOSS)	**1,230**	**(7,271)**	**733**	**1,083**	**1,037**
Provisions for risks and charges	(14)	(525)	(170)	(175)	(99)
Integration costs	(4)	(699)	(16)	(9)	(3)
Net income from investments	62	912	(22)	(19)	20
PROFIT (LOSS) BEFORE TAX	**1,275**	**(7,582)**	**526**	**881**	**955**
Income tax for the period	(408)	2,471	(128)	(279)	(348)
NET PROFIT (LOSS)	**867**	**(5,111)**	**398**	**602**	**607**
Profit (Loss) from non-current assets held for sale, after tax	3	(632)	9	(40)	24
PROFIT (LOSS) FOR THE PERIOD	**870**	**(5,743)**	**407**	**563**	**631**
Minorities	(83)	(90)	(105)	(102)	(84)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**787**	**(5,833)**	**302**	**461**	**547**
Purchase Price Allocation effect	(74)	(1,378)	(98)	(99)	(98)
Goodwill impairment	-	(7,767)	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**712**	**(14,979)**	**204**	**361**	**449**

Notes:

As from the first quarter of 2014, the results of the few industrial companies consolidated line by line will be fully abridged as net profit in the line "Net Other Expenses/Income in order to focus the P&L lines on the pure banking activities. The previous periods were restated accordingly. For further information see the Prefatory Note to the Consolidated Interim Report.

In addition, please note that comparative figures relating to 2013 were also restated following the introduction of IFRS 10 and IFRS 11.
For further details see the "Further information" section of this Consolidated Interim Report.

Segment Reporting (Summary)

Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CEE DIVISION	CIB	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER[1]	NON-CORE	CONSOLIDATED GROUP TOTAL
Income Statement											
OPERATING INCOME											
1Q 2014	2,118	706	387	429	902	963	186	149	(352)	91	**5,578**
1Q 2013	*1,942*	*832*	*370*	*444*	*1,020*	*1,095*	*175*	*141*	*(448)*	*214*	***5,785***
OPERATING COSTS											
1Q 2014	(1,044)	(522)	(365)	(206)	(415)	(448)	(120)	(80)	(137)	(173)	**(3,510)**
1Q 2013	*(1,056)*	*(536)*	*(360)*	*(207)*	*(435)*	*(429)*	*(116)*	*(78)*	*(185)*	*(173)*	***(3,576)***
OPERATING PROFIT											
1Q 2014	1,074	184	22	223	487	515	66	69	(490)	(82)	**2,068**
1Q 2013	*886*	*297*	*10*	*236*	*585*	*666*	*59*	*63*	*(633)*	*41*	***2,209***
PROFIT BEFORE TAX											
1Q 2014	778	172	13	187	326	554	67	64	(485)	(402)	**1,275**
1Q 2013	*722*	*272*	*(101)*	*198*	*388*	*556*	*57*	*59*	*(591)*	*(604)*	***955***
Balance Sheet											
LOANS TO CUSTOMERS											
as at March 31, 2014	131,804	78,819	47,873	25,539	55,822	97,658	-	981	(6,002)	52,323	**484,817**
as at December 31, 2013	*130,931*	*79,333*	*48,402*	*25,033*	*57,163*	*94,429*	*-*	*920*	*(5,215)*	*53,312*	***484,309***
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE											
as at March 31, 2014	147,799	105,914	60,932	27,496	47,304	87,123	-	18,975	62,174	2,521	**560,238**
as at December 31, 2013	*150,233*	*108,651*	*59,134*	*29,538*	*49,473*	*76,833*	*-*	*18,226*	*63,172*	*2,504*	***557,764***
TOTAL RISK WEIGHTED ASSETS											
as at March 31, 2014	74,967	35,199	27,082	25,222	83,361	76,667	2,097	3,181	61,122	29,972	**418,870**
as at December 31, 2013	*77,629*	*33,823*	*25,026*	*25,089*	*81,668*	*74,632*	*2,046*	*2,913*	*69,517*	*31,395*	***423,739***
EVA											
1Q 2014	270	39	(89)	42	78	147	40	34	(755)	(348)	**(541)**
1Q 2013	*223*	*111*	*(139)*	*46*	*127*	*80*	*35*	*30*	*(754)*	*(584)*	***(824)***
Cost/income ratio											
1Q 2014	49.3%	74.0%	94.4%	48.0%	46.0%	46.5%	64.5%	53.8%	n.s.	n.s.	**62.9%**
1Q 2013	*54.4%*	*64.4%*	*97.3%*	*46.7%*	*42.6%*	*39.2%*	*66.2%*	*55.5%*	*n.s.*	*n.s.*	***61.8%***
Employees[1]											
as at March 31, 2014	37,343	13,758	6,808	18,129	30,619	3,941	2,007	1,485	15,261	1,981	**131,333**
as at December 31, 2013	*37,547*	*13,906*	*6,893*	*18,152*	*30,846*	*4,142*	*1,995*	*1,486*	*15,181*	*1,974*	***132,122***

Notes:

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

1. Global Banking Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments.

How the UniCredit Group has grown

UniCredit S.p.A. (formerly Unicredito Italiano S.p.A.) and the Group of companies with the same name which the latter heads up came about as a result of the merger, in October 1998, between the Credito Italiano S.p.A., founded in 1870 under the name of Banca di Genova, and Unicredito S.p.A., the latter the holding company which held the controlling equity investments in Banca CRT, CRV and Cassamarca. As a result of this merger, the Credito Italiano Group and the Unicredito Group pooled the strength of their respective products and the complementary nature of the geographic coverage for the purpose of more effectively competing on the banking and financial services markets both in Italy and in Europe, thereby creating the UniCredit group. Since its creation, the Group has continued to expand in Italy and in Eastern European countries, both via buy-outs and via systematic growth, also consolidating its roles in sectors of important significance outside Europe, such as the asset management sector in the USA.

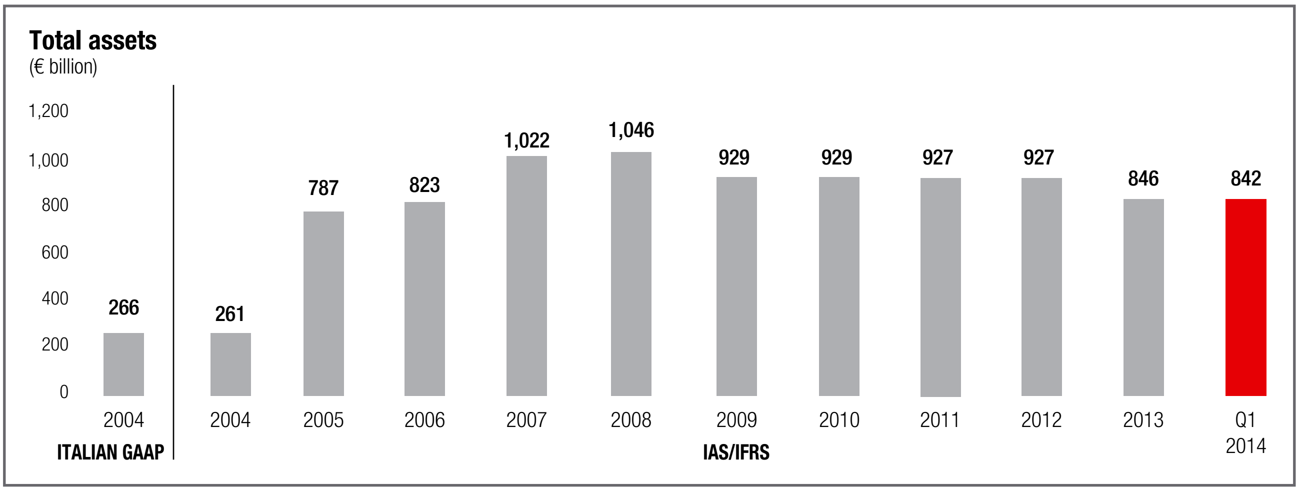
This expansion was characterized, particularly:

- by the merger with the HVB Group, achieved by means of a public exchange offer furthered by UniCredit on August 26, 2005 so as to take over control of HVB and the companies it headed up. Following this offer, finalized during 2005, UniCredit in fact acquired a holding of 93.93% in HVB's share capital (UniCredit has now 100% of the shares, after the acquisition of minority interest concluded on September 15, 2008 - so-called "squeeze-out" - in accordance with German regulations);
- by the merger with the Capitalia Group, achieved by means of merger through incorporation of Capitalia within UniCredit, which became effective as from October 1, 2007.

Group Figures 2004 - 2014

	IAS/IFRS											ITALIAN GAAP
	Q1 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2004
Income Statement (€ million)												
Operating income	5,578	23,973	25,049	25,200	26,347	27,572	26,866	25,893	23,464	11,024	10,203	10,375
Operating costs	(3,510)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)	(16,692)	(14,081)	(13,258)	(6,045)	(5,701)	(5,941)
Operating profit (loss)	2,068	9,172	10,070	9,740	10,864	12,248	10,174	11,812	10,206	4,979	4,502	4,434
Profit (loss) before income tax	1,275	(4,888)	317	2,060	2,517	3,300	5,458	9,355	8,210	4,068	3,238	2,988
Net profit (loss) for the period	870	(3,920)	1,687	644	1,876	2,291	4,831	6,678	6,128	2,731	2,239	2,300
Net profit (loss) attributable to the Group	712	(13,965)	865	(9,206)	1,323	1,702	4,012	5,961	5,448	2,470	2,069	2,131
Balance Sheet (€ million)												
Total assets	841,623	845,838	926,827	926,769	929,488	928,760	1,045,612	1,021,758	823,284	787,284	260,909	265,855
Loans and receivables with customers	484,817	503,142	547,144	559,553	555,653	564,986	612,480	574,206	441,320	425,277	139,723	144,438
of which: non-performing loans	*18,292*	*18,058*	*19,360*	*18,118*	*16,344*	*12,692*	*10,464*	*9,932*	*6,812*	*6,861*	*2,621*	*2,621*
Deposits from customers and debt securities in issue	560,238	571,024	579,965	561,370	583,239	596,396	591,290	630,533	495,255	462,226	155,079	156,923
Shareholders' Equity	47,460	46,841	62,784	51,479	64,224	59,689	54,999	57,724	38,468	35,199	14,373	14,036
Profitability ratios (%)												
Operating profit (loss)/Total assets	0.25	1.08	1.09	1.05	1.17	1.32	0.97	1.16	1.24	0.63	1.73	1.67
Cost/income ratio	62.9	61.7	59.8	61.4	58.8	55.6	62.1	54.4	56.5	54.8	55.9	57.3

Information in the table are "historical figures". They don't allow comparison because they are not recasted.



UniCredit Share

Share Information

	Q1 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Share price (€) (*)											
- maximum	6.630	5.630	4.478	13.153	15.314	17.403	31.810	42.841	37.540	32.770	24.629
- minimum	5.360	3.238	2.286	4.222	9.820	4.037	8.403	28.484	30.968	22.592	21.303
- average	5.936	4.399	3.292	8.549	12.701	11.946	21.009	36.489	34.397	25.649	22.779
- end of period	6.630	5.380	3.706	4.228	10.196	14.730	9.737	31.687	37.049	32.457	23.602
Number of outstanding shares (million)											
- at period end[1]	5,800	5,792	5,789	1,930	19,297.6	16,779.3	13,368.1	13,278.4	10,351.3	10,303.6	6,249.7
- shares cum dividend	5,703	5,695	5,693	1,833	18,330.5	18,329.5	13,372.7	13,195.3	10,357.9	10,342.3	6,338.0
of which: savings shares	*2.42*	*2.42*	*2.42*	*2.42*	*24.2*	*24.2*	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*
- average[1]	5,794	5,791	5,473	1,930	19,101.8	16,637.8	13,204.6	11,071.6	10,345.2	6,730.3	6,303.6
Dividend											
- total dividends (€ million)		570	512	(***)	550	550	(**)	3,431	2,486	2,276	1,282
- dividend per ordinary share		0.100	0.090	(***)	0.030	0.030	(**)	0.260	0.240	0.220	0.205
- dividend per savings share		0.100	0.090	(***)	0.045	0.045	(**)	0.275	0.255	0.235	0.220

1. The number of shares is net of Treasury shares and included 96.76 million of shares held under a contract of usufruct.
(*) Following extraordinary corporate operations, which involve the detachment of rights, stock splitting or grouping, demerger operations and distribution of extraordinary dividends, the price of the shares can fluctuate so much that they are no longer comparable. Thus, the time series hereby published are adjusted accordingly to restore the continuity of historical price series.
(**) 2008 dividend was paid with cash to savings shareholders (€0.025 per share, for a total amount of €0.5 million), and with newly issued shares (so called "scrip dividend").
(***) As per Bank of Italy's paper dated March 2, 2012, in keeping with the decision of UniCredit S.p.A.'s Board of Directors and in line with the intention announced to the Shareholders' Meeting in 2012, UniCredit S.p.A. did not pay any dividends with respect to its 2011 financial results.

In 2011 the following operations were carried out:
- the €2.5 billion free capital increase, through the allocation to capital of an equivalent amount transferred from the "Issue-premium reserve";
- the reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares;
- elimination of the per-share nominal value of UniCredit shares.

In the first quarter of 2012 the capital increase of €7.5 billion equal to a number of shares issued of 3,859.602.938 was fully subscribed for.
Figures relating to the 2013 dividend are shown according to the specific Board of Directors' reports on the distribution to Shareholders.

Earnings Ratios

	IAS/IFRS											ITALIAN GAAP
	Q1 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2004
Shareholders' Equity (€ million)	47,460	46,841	62,784	51,479	64,224	59,689	54,999	57,690	38,468	35,199	14,373	14,036
Group portion of net profit (loss) (€ million)	712	(13,965)	865	(9,206)	1,323	1,702	4,012	5,901	5,448	2,470	2,069	2,131
Net worth per share (€)	8.18	8.09	10.85	26.67	3.33	3.56	4.11	4.35	3.72	3.42	2.30	2.25
Price/Book value	0.81	0.67	0.34	0.16	3.06	4.14	2.37	7.28	9.97	9.50	10.26	10.51
Earnings per share[1] (€)	0.48	(2.47)	0.15	(5.12)	0.06	0.10	0.30	0.53	0.53	0.37	0.33	0.34
Payout ratio (%)		(4.1)	59.2		41.6	32.3	(*)	58.1	45.6	92.1		60.2
Dividend yield on average price per ordinary share (%)		2.27	2.73		1.55	1.58	(*)	3.98	3.90	4.79		5.02

Information in the table are "historical figures" and they must be read with reference to each single period.
1. Annualized figures.
(*) 2008 dividend was paid with cash to savings shareholders (€0,025 per share, for a total amount of €0.5 million), and with newly issued shares (so called "scrip dividend").
The 2008 EPS figure published in the consolidated report as at December 31, 2008 was €0.30 and has now been amended to €0.26 due to the increase in the number of shares following the capital increase (IAS 33 § 28). For the purposes of calculating 2009 EPS, net profit for the period of €1,702 million was changed to €1,571 million due to disbursements made in connection with the foreseen use of treasury shares agreed under the 'cashes' transaction, and charged to equity. For the purposes of calculating EPS, net profit for 2010 of €1,323 million was changed to €1,167 million; net losses for 2011 of €9,206 million was changed to €9,378 million; net profit for 2012 of €865 million was deducted of €46 million. The €13,965 million loss for 2013 increased by €105 million. Net profit for Q1 2014, amounting to €712,422 thousand, decreased by €35,466 thousand.

Earnings per share
(€)

1. Annualized figures.

Group Results

Macroeconomic situation, banking and financial markets

International situation

USA/Eurozone

The global economy continued to show signs of recovery during the first quarter of 2014. The growth rate remained moderate and was characterized by the gradual strengthening of the recovery in advanced economies, albeit with differences from country to country, and a further slowdown in emerging economies.
During the quarter there was a gradual easing of tensions on the financial markets of emerging economies, which were triggered by the expectations of the Fed's tapering. By contrast, the normalization process that characterized the bond markets of the eurozone continued, with a gradual and constant return of risk appetite among investors that benefited the peripheral eurozone countries, with a further narrowing of yield spreads over German Bunds.
With respect to the emerging economies, what raised major concerns for its impact at the global level was the slowdown in Chinese growth, which stood at 7.4% q/q in the first quarter of the year compared to 7.7% in the last quarter of 2013.
A further risk factor is related to the emergence and gradual intensification, in recent months, of geopolitical tensions between Russia and Ukraine. While the impact on the economies of these two countries was already visible in the first quarter, up to now the spillovers into the economies of Central Europe and, consequently, into the euro area, have been small.
Indeed, the economic recovery in the eurozone continued during the first quarter. Confidence indicators during the first three months of the year showed a consolidation of growth, which should stand at about 1.5% y/y. The data relating to industrial production for the first two months of the year show a not very good performance of the industry as a whole, which is however attributable to a weak trend in the energy sector (due to the particularly mild weather), while the expansion in the manufacturing sector continued at a rapid pace.
A good aspect is that in addition to the good performance of the manufacturing sector, the service industry also began to show signs of consolidation. This is symptomatic of the fact that domestic demand, both investment and consumption, began to drive growth together with export. Indeed, household consumption began to benefit from the ongoing improvement in the labor market. Another positive element is the fact that many geographical areas - not only the core countries but also the peripheral nations - are beginning to recover.

In the first quarter inflation surprised to the downside, hitting 0.5% in March, the lowest level since October 2009. This marked weakness reignited fears that the eurozone is gradually slipping towards a deflation scenario and, in parallel, this triggered increasing speculation on the market of an intervention by the ECB, both in terms of conventional and unconventional monetary policies. Until now, however, the European Central Bank has not taken any concrete actions to deal with this risk - probably because it considers it marginal.
In the United States growth came to a halt in the first quarter. However, it was a stop in the strengthening of recovery that will continue in the coming quarters. Indeed, the causes of this poor performance in the early months of the year are related to a particularly unfavorable environment and a strong but physiological correction of inventory and export after a stronger-than-expected second half of 2013. Indeed, confidence and labor market indicators show that the recovery continues. Against this backdrop, the Fed continued to reduce the pace of purchases of mortgage-backed securities and long-term Treasury bonds in line with market expectations. An important new aspect of the March meeting was the transition from a quantitative forward guidance, i.e. one based on numerical targets (in particular with respect to the unemployment rate) to a qualitative forward guidance.
The Fed also pushed up the projections for rates at the end of 2015 and 2016. This indicates that the normalization of monetary policy in the U.S. is getting closer.

Banking and financial markets

In the first quarter of 2014 the eurozone saw a slower deceleration in bank lending to the private sector, which in March 2014 shrank by 2.2% on a year-over-year basis (compared to a reduction of 2.3% on a year-over-year basis in December 2013). This figure combines a sharper contraction in loans to businesses (-3.0% y/y in March) and the stabilization of loans to households. Encouraging news comes from the bank lending survey conducted by the ECB for the first quarter, according to which credit conditions in the euro area have become neutral for businesses and accommodating for households, combined with an improvement in the net demand for bank loans by both households and businesses. The improvement in credit conditions is mainly due to a lower aversion to risk among banks, backed by positive signs in terms of economic growth. Lending to the private sector (households and businesses) improved slightly in all the Group's three key countries, although against a backdrop of general weakness. In Italy, in particular, the contraction in loans to business eased significantly (-3.5% y/y in February 2014 compared to 6.0% in December 2013), while loans to households did not show significant progress (still decreasing by 1.0% on a year-over-year basis), against a backdrop of renewed weakness in consumer credit.

Group Results (Continued)

Macroeconomic situation, banking and financial markets (Continued)

In Germany, loans to the private sector (according to the ECB's monthly statistics) showed stabilization in the first quarter of the year, against a backdrop of contraction, albeit small, in loans to businesses and a slight acceleration in loans to households (up 1.3% on a year-over-year basis in March compared to 1.0% in December 2013). In Austria, loans to businesses and households showed modest growth, with loans to households, in particular, slightly recovering. As for the banking sector's deposit base in the Group's three key countries, in the early months of the year bank deposits in Germany remained weak, although they contracted at a slower pace, while bank deposits accelerated further in Austria - with an increase of 2.5% in February, the latest figure available - and expanded, although at a moderate pace, in Italy. With regard to bank interest rates, in Italy interest rates on bank loans showed a sudden increase, while interest rates on deposits continued to decrease, resulting in an increase in the bank spread (the difference between the average interest rate on loans and the average interest rate on deposits). The reduction in interest rates on deposits remained in line with the trends in interest rates on bank loans in Germany, thus encouraging substantial stabilization of the bank spread. As for stock markets, in the first quarter of the year the performance of the Italian stock market improved against a backdrop of a return of risk appetite, with the Italian stock market reporting growth of about 15% compared to December 2013. By contrast, the German stock market did not show significant progress during the quarter, and the Austrian stock market contracted slightly compared to December 2013.

CEE Countries

The first quarter of 2014 was characterized by increasing differentiation across CEE. Central Europe continues to show a recovery in activity while the Balkans show some signs of reform efforts.
In contrast in Turkey the economy is undergoing a much-needed adjustment while developments in Russia and Ukraine have led to a significant deterioration in growth prospects.

Within Central Europe, the recovery in external demand continues, in contrast with many other emerging market regions. This more supportive external environment, combined with accommodative monetary policy and much less of a drag from fiscal policy on activity, means that domestic demand is also improving. As a result the newer EU states are on track to post their strongest rates of real GDP growth this year in three to four years.
Many of the Balkan economies remain at an earlier stage of reform and as such the recovery is less convincing but the first quarter of the year has provided evidence of change. Slovenia continues to push ahead with its restructuring of the banking sector while Croatia's entry into the EU is forcing the authorities towards fiscal consolidation. Serbia has elected a reform-orientated government while for the first time in the history of the Republic enjoys a strong one-party majority in parliament.
In Turkey real GDP growth is slowing, capturing the combination of insufficient financing for its current account deficit, currency depreciation for much of 2013 and early 2014, a tightening of monetary conditions and macro-prudential measures to tighten credit growth. Growth in exports and industry is cushioning this slowdown. However, the central bank's rate hike at the end of January was successful in stabilizing TRY while a return of foreign portfolio flows to emerging markets means that Turkey should escape a recession. This is being accompanied by a narrowing of the current account deficit, reducing future vulnerabilities.
In Ukraine and Russia, the macro outlook has deteriorated more meaningfully. The interim president has pushed through widespread reforms, including fiscal consolidation, gas price hikes and currency flexibility, securing IMF funding of US$17 billion. However the combination of increased unrest in the east and south of Ukraine, large debt repayments and a weak banking sector means that this funding is likely to prove insufficient to set the economy on a sustainable growth path. Meanwhile two rounds of sanctions from the US and EU have weakened an already sluggish Russian economy. Domestic capital outflows and a halt to foreign inflows have prompted the central bank to hike rates as well as run down reserves to protect RUB.

Main results and performance for the period

Introduction

Starting from the first quarter 2014 the Group decided to introduce a clear distinction between activities defined as *"core"* segment, meaning strategic business segments and in line with risk strategies, and activities defined as *"non-core"* segment, including non-strategic segments and those with a poor fit to the Group's risk-adjusted return framework, with the aim of reducing the overall exposure of this last segment in the course of time and to improve the risk profile. Specifically, the *"non-core"* segment includes selected assets of Commercial Banking Italy (identified on a single client basis) to be managed with a risk mitigation approach, the activities of the workout company UniCredit Credit Management Bank and some special vehicles for securitization operations. Results will be commented below with specific reference to *"core"* and *"non-core"* segment.

In the first quarter of 2014 the Group recorded a **net profit** equal to €712 million, increasing by 58.8% compared with the same period in 2013, which closed at €449 million.
The Group comes back to profit after the €14,979 million loss recorded in the fourth quarter 2013, when the impairment of large part of goodwill and the accruals on credits were booked in order to adjust loans' coverage level to the prevailing conditions at the date.

"Core" segment contributed to the first quarter net profit with about €1 billion, increasing by 12.1% compared with the same period in 2013 restated, as a consequence of a **net operating profit** substantially in line with the previous year, lower **provisions for risks and charges** and a higher contribution to Group's results coming from **net income from investments**.

Though improving by €156 million compared with the negative result of €445 million reported in the first quarter of the previous year restated, the *"non-core"* segment reported a loss of €289 million in the quarter as a consequence of still high levels of loans loss provisions.

Operating income

In the first quarter 2014 **operating income** of the Group amounted to €5,578 million, decreasing by 3.6% over the same period 2013 (down by 2.3% at constant exchange rates and perimeters).
Such a result is composed of €3,077 million of **net interest**, growing by 0.6% over the last year, €104 million of **dividends** (which include companies accounted for using the equity method's profit), decreasing by 27.7% over last year, €1,890 million of **net fees and commissions**, substantially in line over last year, €472 million of **net trading income**, decreasing by 26.1% over last year and €36 million of **net other expenses/income.**

Almost the whole **operating income** (€5,487 million) is attributable to the *"core"* segment, substantially broadly in line with the previous year restated (down by 0.2% at constant exchange rates) even if with a different mix.

In particular *"core"* segment's **net interest** was equal to €3,032 million, increasing by 3.5% over the previous year restated (up by 5.0% at constant exchange rates).
Such a positive trend is attributable to the reduction of average cost of commercial funding, which more than compensated the decrease of interests income on commercial lending side. Such a trend was supported by the progressive reduction of credit spreads, initially on govies, later continued in the corporate sector, in a slightly increasing interest rates' environment (average 3 months Euribor equal to 0.30% in the first quarter 2014 compared with 0.21% in the same period 2013).

Net interests increase was achieved regardless of an unfavorable loans dynamic. In particular **loans to customers** related to the *"core"* segment (equal to €432.5 billion as at March 31, 2014) are down by 3.8% over the previous year (down by 2.9% at constant exchange rates) even if compared to the previous quarter they show some stabilization signs, with the stock of loans to customers growing by 0.3% (up by 0.6% at constant exchange rates).
The evolution of commercial loans to customers volumes of *"core"* segment was not uniform at geographical level: while western Europe decreased (down by 5.9% over the first quarter 2013), in particular due to Italy (down by 5.1% commercial loans, as a consequence of a weak credit demand) and Germany (down by 9.1%, mostly attributable to Corporate clients), countries of CEE Region counterbalanced with growth (up by 2.9% at constant exchange rates) where the increase is driven by Russia (up by 9.6% at constant exchange rates), Czech Republic (up by 7.0% at constant exchange rates) and Poland (up by 9.5% at constant exchange rates).

Direct funding from customers (deposits and securities) of *"core"* segment, instead, was growing by 1.2% (up by 1.9% at constant exchange rates) over the first quarter of 2013. Such a trend was a result of the 2.8% contraction of commercial direct funding from customers due to higher diversification towards assets under management products, and of the 8.3% growth of the institutional component.
Focusing on commercial direct funding from customers, the yearly decrease was mainly due to western Europe countries, whilst CEE Region continued towards maintaining an equilibrium between loans and deposits, growing by 3.4% (up by 8.3% at constant exchange rates) over the previous year, driven by Poland (up by 5.0% at constant exchange rates), Czech Republic (up by 16.6% at constant

Group Results (Continued)

Main results and performance for the period (Continued)

exchange rates), Romania (up by 18.9% at constant exchange rates) and Bulgaria (up by 9.1% at constant exchange rates); positive trend noted also in Russia (up by 13.0% at constant exchange rates) however penalized by negative exchange rate effect.

As a consequence of the above outlined dynamic, *"core"* commercial funding gap (which excludes institutional component) improved by €9.0 billion.

Dividends (which include the profits of the companies accounted for using the equity method) in the first quarter 2014 amounted to €104 million, decreasing by €40 million compared with the same period 2013, mainly as a consequence of the lower profit generated by the Koc/Yapi Kredi group (Turkey).

As regards **net fees and commissions** related to the *"core"* segment, in the first quarter 2014 they amounted to €1,828 million, increasing by 1.5% (up by 2.3% at constant exchange rates) over the same period of the previous year restated.
Growth was mainly attributable to fees from investment services (up by 9.2% compared with the first quarter 2013) as well as to assets under management's products, thanks to volumes' growth (up by €19 billion over March 2013). Financing services fees were maintained stable (up by 0.1% in comparison with the first quarter 2013), while transactional services fees decreased (down by 7.0% over the first quarter 2013).

"Core" segment's **net trading income** in the first quarter 2014 was €477 million, decreasing by 25.4% over the same period 2013 (down by 25.9% at constant exchange rate).
This trend stemmed out mainly from the decrease registered in the division Commercial Banking Germany, that in the first quarter 2013 benefitted from a particularly positive trend of the treasury activities, and from the CEE Division registering a drop over the last year, mainly in Russia.

Finally, *"core"* segment's **net other expenses/income** in the first quarter 2014 amounted to €45 million, down €11 million over the first quarter 2013.

"Non-core" segment in the first quarter 2014 registered €91 million of **operating income**, decreasing by 57.4% over the first quarter of last year restated. Such a dynamic was consistent with the 20% reduction of customers loans, coupled with a higher weight of the portion of impaired loans that do not produce net interest income.

Operating income (€ million)

	2014 Q1		% CHANGE ON Q1 2013		% CHANGE ON Q4 2013	
	GROUP	O/ W CORE	GROUP	O/ W CORE	GROUP	O/ W CORE
Net interest	3,077	3,032	+ 0.6%	+ 3.5%	- 2.0%	- 0.9%
Dividends and other income from equity investments	104	104	- 27.7%	- 27.7%	- 45.6%	- 45.6%
Net fees and commissions	1,890	1,828	- 0.1%	+ 1.5%	+ 2.0%	+ 2.7%
Net trading, hedging and fair value income	472	477	- 26.1%	- 25.4%	- 20.4%	- 19.3%
Net other expenses/income	36	45	- 33.5%	- 19.3%	n.s.	n.s.
Operating income	**5,578**	**5,487**	**- 3.6%**	**- 1.5%**	**- 3.3%**	**- 2.5%**

Operating costs

Operating costs of the Group were equal to €3,510 million in the first quarter 2014, lower by 1.8% compared with the same period 2013 (down by 1.1% at constant exchange rates and perimeters).
In detail **staff expenses** were equal to €2,087 million, decreasing by 2.6% over last year, **other administrative expenses** were equal to €1,399 million, growing by 5.6% over last year, **expense recovery** were equal to €191 million, growing by 30.7% over last year. Finally, **write-downs on tangible and intangible assets** were equal to €216 million, decreasing by 15.2% over last year.

Such a positive achievement on **operating costs** was driven by Group's *"core"* segment, which registered €3,337 million in this quarter, lower by 1.9% over the same period 2013 (down by 1.2% at constant exchange rates), thanks to staff expenses, decreasing by 2.9% compared with the first quarter 2013 restated (down by 2.2% at constant exchange rates) and to write-downs on tangible and intangible assets, decreasing by 15.1% (down by 14.3% at constant exchange rates).

Analyzing in detail the single components, **staff expenses** related to the *"core"* segment in the first quarter 2014 were €2,047 million, reduced by 2.9% over the same period 2013 restated (down by 2.2% at constant exchange rates).
This positive achievement was mainly affected by the workforce reduction *("core")* over the first quarter 2013, measured in terms of Full Time Equivalent (FTEs), by 6,929 units (of which 3,350 related to ATF, sold in Q2 2013 and, in addition, units related to the outsourcing of technological infrastructure management and "invoice management").

The staff expenses' trend shows some geographic differentiations, with CEE Region growing by 1.7% at constant exchange rates and the rest of the Group significantly decreasing (down by 3.0%). At divisional level, main savings were registered in commercial network of Italy and Germany.

Concerning *"core"* segment's **other administrative expenses** on the other hand, they amount to €1,253 million, growing by 6.7% in comparison to the same period 2013 restated. Good part of the increase was driven by IT costs growth due to higher outsourcing services fees. Part of these costs refers to expenses directly incurred by the Group (mainly rents and operating costs for IT assets still owned by the Group) that are later re-invoiced to the outsourcer. The income from this re-invoicing is included in the **recovery of expenses** item, that in the first quarter 2014 was €179 million, up 33.6% over the same quarter 2013 restated.

Finally, the **write-downs on tangible and intangible assets** of *"core"* segment in the first quarter 2014 were €216 million, falling by 15.1% (down by 14.3% at constant exchange rates). This reduction benefitted from the revision of the amortization period of some intangible assets' categories, from the intangible assets impairments carried out in the last quarter 2013, as well as from the assets disposal related to the technological infrastructure management outsourcing.

Overall total *"core"* segment's operating costs excluding staff expenses were stable over the same period of 2013 restated.

Operating costs related to the *"non-core"* segment in the first quarter 2014 were €173 million, in line with the costs level of the same period of 2013 restated.

Operating costs

(€ million)

	2014 Q1		% CHANGE ON Q1 2013		% CHANGE ON Q4 2013	
	GROUP	O/ W CORE	GROUP	O/ W CORE	GROUP	O/ W CORE
Payroll costs	(2,087)	(2,047)	- 2.6%	- 2.9%	+ 2.0%	+ 2.0%
Other administrative expenses	(1,399)	(1,253)	+ 5.6%	+ 6.7%	- 2.4%	- 4.1%
Recovery of expenses	191	179	+ 30.7%	+ 33.6%	- 9.6%	- 8.2%
Write downs of tangible and intangible assets	(216)	(216)	- 15.2%	- 15.1%	- 54.9%	- 54.5%
Operating costs	**(3,510)**	**(3,337)**	**- 1.8%**	**- 1.9%**	**- 6.3%**	**- 7.2%**

The decline of revenues, only partially offset by the costs containment, led to €2,068 million **gross operating profit** of the Group in the first quarter 2014, being in decline of 6.4% over 2013 (down by 4.2% at constant exchange rates), reduced however to 0.9% drop when referring to the *"core"* perimeter (up by 1.2% at constant exchange rates).

The cost income ratio of *"core"* segment improved by 0.3 percentage points, moving from 61.1% in the first quarter 2013 restated to 60.8% in the first quarter 2014, benefitting from the operating costs' containment.

Gross operating profit related to the *"non-core"* segment in the first quarter 2014 was -€82 million, against €41 million profit in the first quarter 2013.

Group Results (Continued)

Main results and performance for the period (Continued)

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

Net write-downs on loans and provisions for guarantees and commitments of the Group, in the first quarter of 2014, were €838 million, significantly reduced compared to the same period 2013 (down by 28.5%), also as a result of the measures taken in the fourth quarter of 2013 to improve the coverage ratio.

In the first quarter of 2014 Group gross impaired loans decreased by €1.1 billion (down by 1.3%) over last quarter 2013, reducing the incidence on total loans to 15.53% from 15.74% at 2013 year end. Coverage ratio (52.4%) confirmed the level achieved in 2013 year end.

As regards the *"core"* segment, in first quarter of 2014 net write-downs on loans and provisions for guarantees and commitments amounted to €523 million, decreasing by 1.5% (down by 0.2% at constant exchange rates) over the same period 2013 restated. Cost of risk was 48 basis points in first quarter 2014, substantially in line with the previous year (46 basis points).

The *"core"* segment's gross impaired loans at the end of March were €264 million below stock at December 31, 2013 restated (down by 1.0%). This reduction, together with loans' growth over the last quarter 2013 restated, resulted in a decline of gross impaired loans on total loans ratio, from 5.74% in December 2013 to 5.66% in March 2014. Gross non-performing loans stock was at €13.8 billion, substantially flat over 2013 year end restated.

"Non-core" segment, instead, registered €315 million of net write-downs on loans provisions for guarantees and commitments in the first quarter 2014, compared to €642 million in the same period 2013 restated.

"Non-core" segment's impaired loans as of March 31, 2014 were €57.1 billion, decreasing by 1.6% in comparison to €58.0 billion as of 2013 year end restated. Non-performing loans were €35.5 billion, increasing by 0.4% over 2013 year end restated. Coverage ratio as of March 31, 2014 was at 53.2% in comparison to 53.8% as of 2013 year end restated.

Loans to customers - asset quality

(€ million)

	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE LOANS	IMPAIRED LOANS	PERFORMING LOANS	TOTAL CUSTOMERS LOANS
As at 03.31.2014							
Face value	49,239	24,607	5,760	2,858	**82,464**	448,394	**530,858**
as a percentage of total loans	*9.28%*	*4.64%*	*1.09%*	*0.54%*	***15.53%***	*84.47%*	
Writedowns	30,947	9,461	2,159	616	**43,183**	2,858	**46,041**
as a percentage of face value	*62.9%*	*38.4%*	*37.5%*	*21.6%*	***52.4%***	*0.6%*	
Carrying value	18,292	15,146	3,601	2,242	**39,281**	445,536	**484,817**
as a percentage of total loans	*3.77%*	*3.12%*	*0.74%*	*0.46%*	***8.10%***	*91.90%*	
As at 12.31.2013 restated [1]							
Face value	49,059	24,935	6,150	3,446	**83,590**	447,491	**531,081**
as a percentage of total loans	*9.24%*	*4.70%*	*1.16%*	*0.65%*	***15.74%***	*84.26%*	
Writedowns	30,947	9,911	2,216	770	**43,844**	2,928	**46,772**
as a percentage of face value	*63.1%*	*39.7%*	*36.0%*	*22.3%*	***52.5%***	*0.7%*	
Carrying value	18,112	15,024	3,934	2,676	**39,746**	444,563	**484,309**
as a percentage of total loans	*3.74%*	*3.10%*	*0.81%*	*0.55%*	***8.21%***	*91.79%*	
As at 12.31.2013 historical							
Face value	47,592	25,051	6,153	3,564	**82,360**	466,927	**549,287**
as a percentage of total loans	*8.66%*	*4.56%*	*1.12%*	*0.65%*	***14.99%***	*85.01%*	
Writedowns	29,534	9,982	2,217	812	**42,545**	3,600	**46,145**
as a percentage of face value	*62.1%*	*39.8%*	*36.0%*	*22.8%*	***51.7%***	*0.8%*	
Carrying value	18,058	15,069	3,936	2,752	**39,815**	463,327	**503,142**
as a percentage of total loans	*3.59%*	*2.99%*	*0.78%*	*0.55%*	***7.91%***	*92.09%*	

1. Comparative figures restated following the introduction of IFRS 10 and IFRS 11. For further details see the "Further information" section of this Consolidated Interim Report.

From net operating profit to profit (loss) before tax

As a consequence of a gross operating profit decreasing by €141 million and net write-downs on loans at €838 million, down by €334 million over first quarter 2013, Group's **net operating profit** amounted to €1,230 million, growing by €193 million (up by 18.6%) compared to 2013.

The *"core"* segment contribution to net operating profit in first quarter 2014 was equal to €1,627 million, in line with the same period of 2013 restated.

In detail, Group's **provisions for risks and charges** were at -€14 million, of which -€9 million related to the *"core"* segment, mainly due to legal cases.

Integration costs were -€4 million.

Finally, **net income from investments** was €62 million, mainly due to buildings disposals in Austria.

As an effect of the items above mentioned, in the first quarter 2014 the Group registered **profit before tax** of €1,275 million, compared to €995 million achieved in first quarter 2013 (up by 33.4%), of which €1,676 million related to the *"core"* segment (up by 7.5% in comparison to the €1,559 million of first quarter 2013 restated) and -€401 million related to the *"non-core"* segment (in comparison to the -€604 million of the same period 2013 restated).

Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE-DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX	
					2013 Q1	2014 Q1
Commercial Banking Italy	2,118	(1,044)	(280)	795	722	778
Commercial Banking Germany	706	(522)	(15)	169	272	172
Commercial Banking Austria	387	(365)	(48)	(27)	(101)	13
Poland	429	(206)	(35)	188	198	187
Central Eastern Europe	902	(415)	(148)	338	388	326
Corporate & Investment Banking	963	(448)	-	516	556	554
Asset Management	186	(120)	-	66	57	67
Asset Gathering	149	(80)	(1)	68	59	64
Group Corporate Center	(352)	(137)	4	(486)	(591)	(485)
Non-core	91	(173)	(315)	(397)	(604)	(402)
Group Total	**5,578**	**(3,510)**	**(838)**	**1,230**	**955**	**1,275**

Group Results (Continued)

Main results and performance for the period (Continued)

Profit (loss) attributable to the Group

As a consequence of €1,275 million **profit before tax,** in the first quarter 2014 Group's income taxes were €408 million, from which derives a 32% tax rate.

Profit from discontinued operations net of taxes was €3 million and referred to the Ukrainian subsidiary Ukrsotsbank, reclassified according to the IFRS 5.

Profit for the period in first quarter 2014 was €870 million, with contribution of *"core"* segment in amount of +€1,159 million, growing by 7.8% (up by 10.8% at constant exchange rates) in comparison to the +€1,076 million achieved in first quarter 2013.

Minorities were €83 million.

Purchase price allocation was -€74 million, decreasing in comparison to the -€98 million accounted in first quarter 2013. The reduction over the last year derives from the complete impairment of the Customer relationship carried out in fourth quarter 2013.

Consequently, in first quarter 2014, a **net profit attributable to the Group** of €712 million was registered, growing by 58.8% compared to €449 million profit registered in first quarter 2013.

The *"core"* segment in first quarter 2014 achieved €1,001 million **profit attributable to the Group**, growing by 12.1% (up by 15.7% at constant exchange rates), in comparison to €893 million profit of first quarter 2013 restated.

"Non-core" segment registers €289 million **net loss attributable to the Group**, in comparison to €445 million loss registered in first quarter 2013 restated (-35.0%).

Profit (loss) attributable to the Group

(€ million)

	2014 Q1		% CHANGE ON Q1 2013		% CHANGE ON Q4 2013	
	GROUP	O/ W CORE	GROUP	O/ W CORE	GROUP	O/ W CORE
Operating income	**5,578**	**5,487**	**- 3.6%**	**- 1.5%**	**- 3.3%**	**- 2.5%**
Operating costs	(3,510)	(3,337)	-1.8%	-1.9%	-6.3%	-7.2%
Operating profit (loss)	**2,068**	**2,150**	**-6.4%**	**-0.9%**	**2.2%**	**5.6%**
Net write-downs on loans and provisions for guarantees and commitments	(838)	(523)	-28.5%	-1.5%	-91.0%	-73.7%
Net operating profit (loss)	**1,230**	**1,627**	**18.6%**	**-0.7%**	**-116.9%**	**n.s.**
Provisions for risks and charges	(14)	(9)	-86.1%	-90.1%	-97.4%	-98.1%
Integration costs	(4)	(3)	13.9%	13.1%	-99.5%	-99.5%
Net income from investment	62	62	+ 208.6%	+ 208.6%	- 93.2%	- 93.2%
Profit (loss) before tax	**1,275**	**1,676**	**33.4%**	**7.5%**	**-116.8%**	**n.s.**
Income tax for the period	(408)	(521)	17.1%	2.5%	-116.5%	n.s.
Net profit (loss) of discontinued operations	3	3	-85.9%	-85.9%	-100.5%	-100.5%
Profit (loss) for the period	**870**	**1,159**	**37.9%**	**7.8%**	**-115.2%**	**-222.8%**
Minorities	(83)	(83)	-1.2%	-1.2%	-7.6%	-7.6%
Net profit (loss) attributable to the Group before PPA	**787**	**1,076**	**44.0%**	**8.5%**	**-113.5%**	**-204.1%**
Purchase Price Allocation effects	(74)	(74)	-24.1%	-24.1%	-94.6%	-94.6%
Goodwill impairment	-	-	n.s.	n.s.	n.s.	n.s.
Net profit (loss) attributable to the Group	**712**	**1,001**	**58.8%**	**12.1%**	**-104.8%**	**-109.8%**

Principles of value creation and disciplined capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate extra income measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return).
The development of Group operations with a view to value creation requires a process for allocating and managing capital governed by different phases in the process of planning and control, articulated as:

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

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.

Capital Ratios

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

Own Funds and Capital Ratios (*) (€ million)

	AS AT	
	03.31.2014 (**)	12.31.2013 (***)
Common Equity Tier 1 Capital	40,734	40,683
Tier 1 Capital	42,634	42,737
Total own funds	57,738	57,651
Total RWA	418,870	423,739
Common Equity Tier 1 Capital Ratio	**9.72%**	**9.60%**
Tier 1 Capital Ratio	**10.18%**	**10.09%**
Total own funds Capital Ratio	**13.78%**	**13.61%**

(*) It should be noted that the first report based on Basel 3 (CRD IV - CRR) is to be sent to the Supervisory Authority by June 30, 2014. Consequently amounts and ratios showed in this table may change.
(**) Transitional own funds and capital ratios (Basel 3).
(***) Amounts and ratios calculated in compliance with the supervisory regulations in force at the date (Basel 2.5), i.e. Regulatory Capital and Tier 1 Capital; the Core Tier 1 Capital and Core Tier 1 Ratio relating to December 31, 2013, compared with Common Equity Tier 1 and with the related capital ratio as at March 31, 2014, respectively, were calculated using an internal model.

The economic and financial crisis, which began in 2007, has raised an intense debate on the need to promote a stronger and more resilient financial system. Therefore, over the last years, global regulators introduced a series of new regulatory requirements that have contributed greatly to re-shape the financial markets landscape. In particular, in December 2010, the Basel Committee for Banking Supervision (BCBS) published a series of changes relative to the requirements for banking institutions on capital and liquidity, also known as "Basel 3". The regulatory changes introduced by the Basel 3 framework define more stringent rules for capital requirements and introduce for the first time liquidity and leverage limits. According to the Basel 3 framework, the new rules are introduce gradually in order to allow the banking system to comply with the new requirements and contain the impact on the real economy. The Basel 3 framework has been translated into law by means of two separate legislative instruments: a Directive (CRD 4) and a Regulation (CRR), which include the majority of the measures relating to capital requirements, the provisions of which are directly binding and applicable within each European Union Member State. The first proposal of the new regulation was published by the European Commission in July 2011. Following EU Parliament approval, the CRD 4 package (i.e. Directive and Regulation) was formally published in the Official Journal of the EU on June 27, 2013 and applied from January 1, 2014. In December 2013 the Bank of Italy published ("Circolare 285") new supervisory regulations on banks implementing CRD 4, CRR and setting out additional local prudential rules concerning matters not harmonized at EU level. As of January 1, 2014, Italian banks are required to comply with a minimum CET1 Capital ratio of 4.5%, Tier 1 Capital ratio of 5.5% (6% starting from 2015) and Total Capital Ratio of 8%. These minimum ratios are complemented on the following capital buffers to be meet with CET1 Capital: Capital Conservation set at 2.5% from January 1, 2014 and, from 2016, Countercyclical

Group Results (Continued)

Capital and Value Management (Continued)

in the periods of excessive credit growth and Systemic for Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII).
Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need to adopt a capital conservation plan. As part of the transition arrangements, regulatory capital recognition of outstanding non-CET1 capital instruments that no longer meet the minimum criteria will be gradually phased out. Their recognition is capped at 80% in 2014 of nominal outstanding as at January 1, 2013, with this cap decreasing by 10% in each subsequent year.

Shareholders' Equity attributable to the Group

The **Shareholders' Equity of the Group**, including the **profit of the period** (€712 million), amounted to €47,460 million at March 31, 2014, compared to €46,722 million at December 31, 2013.

The following table shows the main changes that occurred in Q1 2014.

Shareholders' Equity attributable to the Group (€ million)

Shareholders' Equity as at December 31, 2013 (*)	**46,722**
Capital increase (net of capitalized costs)	-
Disbursements related to Cashes transaction ("canoni di usufrutto")	(35)
Dividend payment	-
Forex translation reserve (**)	(467)
Change in afs/cash-flow hedge reserve	470
Others	59
Net profit (loss) for the period	712
Shareholders' Equity as at March 31, 2014	**47,460**

(*) Please note that on January 1, 2014 the new IFRS 10 and IFRS 11, effective from January 1, 2013, were introduced. The adoption of these standards resulted in a negative impact (restated) on the Group's Shareholders' Equity of €119 million as at December 31, 2013.
(**) Principally arising from the consolidation of the Russian and Ukrainian subsidiaries.

Information on risks

The 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 and cross-divisional perspective. Furthermore, the model considers a specific point of reference for Italy through the "CRO Italy" function, to which the responsibilities related to credit, operational and reputational risks of the Italian perimeter, as well as the managerial coordination of Risk Management functions in the Italian Legal Entities, have been assigned.
In particular, the Risk Management function is responsible for the following tasks:

- optimizing Group's asset quality, minimizing the cost of risks, consistent with the risk/return targets assigned to each Business Area;
- defining, together with the Planning, Finance & Administration function, the Group's risk appetite and evaluating capital adequacy, within the Internal Capital Adequacy Process (ICAAP), consistently with Basel 2, Pillar 2 requirements;
- defining - in compliance with Basel 2 standards and Bank of Italy requirements - the Group rules, methodologies, guidelines, policies and strategies for risk management, and, in cooperation with the Organization department, the relevant processes and their implementation;
- setting up a credit and concentration risk control system both of single counterpart/economic groups and significant clusters (e.g. as industrial areas/economic sectors), monitoring and reporting the limits defined beforehand;
- defining and providing to the Business Areas and to the Legal Entities the valuation, managerial, measurement, monitoring and reporting criteria of the risks and ensuring the consistency of systems and control procedures both at Group and Legal Entity level;
- supporting the Business Areas to achieve their targets, contributing to product and business development (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- verifying, by means of the initial and on-going validation process, the adequacy of the risk measurement systems adopted throughout the Group, steering the methodological choices towards higher and homogeneous qualitative standards and controlling the coherence in using the above systems within the processes;
- setting up an adequate system of preventive risk analysis, in order to quantify the impacts of a quick worsening of the economic cycle or of other shock factors (i.e. Stress Test) on the Group's economic and financial structure. This holds for single risk types as well as their integration and comparison to available capital;
- creating and spreading a risk culture across the whole Group.

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 Committee" responsible for the Group strategic risk decisions;
- the "Group Portfolio Risks Committees", tasked with addressing, controlling and managing the different portfolio risks;
- the "Group Transactional Committees" in charge of evaluating the single counterparties/transactions impacting the overall portfolio risk profile.

Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process (ICAAP) in Pillar 2 under Basel 2.
The Group's approach to ICAAP relies on the definition of the "Risk Governance", as a preliminary requirement, while the process consists of the following phases:

- perimeter definition and risk identification;
- risk profile assessment;
- risk appetite setting and capital allocation; and
- monitoring and reporting.

Capital adequacy is assessed considering the balance between the assumed risks, both Pillar 1 and Pillar 2, and the available capital. With respect to Pillar 2, the relevant metric is the Risk Taking Capacity, which is the ratio between available capital (Available Financial Resources - AFR) and Internal Capital.
A yearly consolidated report on capital adequacy in accordance with Bank of Italy guidelines and including an overview of the main Group companies, is prepared and sent to the Regulator.
A milestone of the ICAAP is the Risk Appetite which defines the level of risk that UniCredit group is prepared to accept to pursuit its strategic objectives, taking into account the interest of its customers and shareholders as well as capital and other regulatory requirements.

The risk appetite framework is intended to achieve the following objectives:

- define the risk the Group is willing to take and why, to enable specific risk taking activities;
- describe UniCredit's performance with respect to:
  - risk ownership and positioning to explicitly indicate main activities of the bank and overall risk positioning;
  - regulatory requirements to include key indicators requested by the regulators;
  - profitability and risk to ensure alignment with Group budget;
  - control on specific risk types to ensure control on all key risks;

Group Results (Continued)

Information on risks

- consistently communicate the acceptable level of risk for different risk types that can be expressed in financial or non-financial terms, but anyway enabling measurement and effective monitoring.

The structure of the Group Risk Appetite includes targets, triggers and limits levels:
- the targets are set as ranges broad enough to ensure business flexibility to pursue the highest level of healthy business generation but sufficiently stringent to avoid undesired risks;
- the triggers are defined as the level of potential deviation from expected performance that UniCredit is prepared to sustain as a result of three main scenarios. Breaches of the trigger level will be escalated to various organizational levels in order not to reach limits;
- the limits are the absolute maximum level of risk that the senior management and the Board are prepared to take. Limits are set taking into account the regulatory requirements, the shareholders' expectations and positioning versus peers. Breaches of the limits will result in managerial actions aimed at bringing back the Group within the approved risk appetite boundaries and it will also have an impact on the incentive system.

The Risk Appetite is owned by the Group Risk Management function, which is responsible for:
- providing oversight, advice and challenge to the CEO with respect to the strategic plan;
- the management of the risk appetite setting process;
- recommending risk appetite to the Board and asking for approval;
- providing timely reporting to the Board on the Group and Legal Entity's performance;
- developing and maintaining a comprehensive risk management framework that ensures the Group and the businesses perform in line with the approved risk appetite.

The Risk Appetite is approved by the Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees.
Risk Appetite is formally reviewed on an annual basis in conjunction with the Budget.

Credit Risk

Group Credit Risk Strategies represent an effective instrument for governing credit risk, being oriented at driving the Group objectives defined during the Budget process in coherence with the Group Risk Appetite and at translating them at operational level. Starting from the macroeconomic and credit scenario, the outlook at economic sector and 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 a risk profile and a relative positioning of the business lines, in a way to steer a growth coherent with the Group risk appetite and at the same time, to minimize the impact deriving from credit risk without hampering potential profitable business opportunities.
Portfolio risk management pays special attention to credit risk concentration in light of its importance within total assets.
Such concentration risk, according to the Basel 2 definition, consists of a single exposure or of a group of correlated exposures with the potential to generate losses of such magnitude as to prejudice the Group or its ability to carry on its normal business activities.
In order to identify, manage, measure and monitor concentration risk, the Parent Company's competent functions define and monitor credit limits to cover two different types of concentration risk:
- significant amount credit exposures to a single counterparty or to a set of counterparties economically connected ("bulk risk" for Multinationals, Financial Institutions and Banks);
- credit exposures to counterparties belonging to the same economic sector ("industry concentration risk").

Stress test simulations are a comprehensive part of the definition of the credit risk strategies. With the stress test procedure it is possible to re-estimate some risk parameters like Probability of Default (PD), Expected Loss, economic capital and RWA under the assumption of "extreme but plausible" macroeconomic and financial stressed scenarios. Stressed parameters are used not only for regulatory purposes (Pillar 1 and Pillar 2 requirements), but also as managerial indicators about the portfolio vulnerability of single Legal Entities, business lines, industries/regional areas, customer groups and other relevant clusters, conditioned to a 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.
As far as the instruments for measurement and control of economic capital are concerned, within the Group platform for

the credit risk, a few enhancements have been introduced in the portfolio model (CPM) used for such purpose: specifically new tools have been added with the aim to better integrate the securitizations in the global portfolio risk analysis. Furthermore, the Credit Portfolio Model (CPM) Roll Out project continued in its effort to unify the Group methodologies on credit portfolio analysis, providing to the main legal entities of the Group the same tools, methodology and parameterization of the model previously only available in Holding, Austria and Germany. Current focus is the completion of the extension to the CEE countries. The resulting homogeneity in the credit portfolio analysis methodology allows a comparison of risk profiles of the different portfolios and as a consequence can be used to steer the strategies of the business areas.
Credit monitoring activities performed by dedicated departments of the Group Risk Management function have been further reinforced and made more efficient.
These activities focus on the analysis of the main drivers and parameters of credit risk such as values of EAD (exposure at default), EL (expected loss), migration, cost of risk etc., in order to promptly initiate any counter-measures on portfolios, sub-portfolios or individual counterparties. The timely identification and consistent management of exposures with a deteriorating risk profile allow to intervene at a phase preceding potential default, when there is still the capability for repayment and, subsequently, to put in place appropriate corrective initiatives.
As a consequence of the enlargement of the perimeter of counterparties covered with the Counterparty Credit Risk/CCR Internal Model and in order to ensure a better management of the Counterparty Credit Risk, in the first quarter the organizational structure of the CRO Italy function has been updated.
In particular, the following responsibilities have been assigned to the “Credit Underwriting” department:

- provide to the Business specialist support and advice within the definition of the proposals regarding activity with instruments subject to counterparty credit risk (e.g. OTC derivatives);
- act as a unique interface function among the different involved functions (Business and decisional Structures/Bodies), in case of overdraft/exceeding of the early warning level, in order to coordinate the consequent actions;
- control the “Corporate Treasury Sales” activity regarding the competence deals in order to verify the pre settlement credit line availability and capacity.

In the same CCR perspective, the Group Market Risk Committee receives monthly the periodical managerial reporting on the Counterparty Credit Risk and on the risk related to the Group collateral, in order to analyze and discuss the figures and the issues related to risky activities, also in terms of the scenarios for Stress testing considered (e.g. pivot scenario), of any breaches and the positions subject to General Wrong Way risk.

Operational Risk

As regards the management of the operational risk, UniCredit has developed an internal model for measuring the capital requirement (AMA). The measurement of operational risk relies on internal loss data, external loss data (consortium and public data), hypothetical loss data stemming from scenario analyses and risk indicators.
An allocation mechanism identifies individual Group entities’ capital requirements reflecting their operational risk exposure.
The AMA approach was formally approved by the Supervisory Authority in 2008 and it has already been rolled out to all the main Group Entities.
With respect to reputational risk, over the last years UniCredit has defined an approach for the identification, analysis and management of the reputational risk stemming from banking activities.
The Group Reputational Risk Governance Guidelines, currently being implemented in the Group Entities, delineate a set of principles and rules for the measurement and control of reputational risk.
In order to control UniCredit group exposure to reputational risk in addition to the Group Reputational Risk Governance Guidelines the following policies in specific sectors are in place: “Defense/Weapons”, “Nuclear Energy”, “Non-cooperative Jurisdictions”, “Mining” and “Water Infrastructures (dams)”.

Market Risk

With respect to Market Risk, as far as the trading book is concerned, daily reporting of VaR and weekly reporting of Basel 2.5 measures (based on the new harmonized internal model) is now a consolidated process along with VaR backtesting.
At the same time, Parent Company and local Market Risk functions have carried on accurate portfolios’ risk monitoring activities, with particular reference to Investment Banking, through the definition and monitoring of Limits and Warning Levels.
In particular, the following concepts have been activated: VaR Limits and VaR Warning Levels at all levels of the portfolio tree, SVaR limits and IRC limits for most relevant levels of portfolio tree, and Granular Risks Limits concerning various risk factors (interest rates, exchange rates, index and stock prices, credit spreads etc.) at sub-portfolio/desk level.
Loss Warning Levels and Stress Test Warning Levels have also been defined.
Finally, as far as the banking book is concerned, the following are some specific risk factors linked, in particular, with interest rate fluctuations, exchange rates, and the performance of financial markets that are affected by the current global financial conditions and which the Group results depend upon in varying measure. Constant monitoring and management of these risk factors makes it possible to continue to follow the going-concern principle in preparing the Interim Report on Operations.

Group Results (Continued)

Information on risks (Continued)

Limits and thresholds are defined in terms of VaR (utilizing the methodology described for trading book), Sensitivity or Repricing Gap for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of Company operations.

Interest-Rate Risk

Group's results are affected by interest rate trends and fluctuations in Europe as well as in the other markets where the Group operates. In particular, the results of banking and lending transactions depend also on proper management of interest rate exposure's sensitivity.

Interest Rate Risk originates mainly from two sources:
- Repricing (refixing) risk: arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of assets, liabilities and off-balance-sheet positions. Such repricing mismatches can expose the bank's income and underlying economic value to unanticipated fluctuations as interest rates vary;
- Option risk: arises from implicit and explicit options embedded in assets, liabilities and off-balance-sheet instruments.

Interest rate risk measurement includes both Net Interest Income analysis and Economic Value analysis.

Currency Risk

A significant portion of Group business is carried out in currencies other than Euro, predominantly those of CEE countries and the US dollar. The Group is therefore exposed to risks linked with fluctuations in exchange rates and in local money markets. Since the financial statement and interim report are denominated in Euro, the necessary currency conversions are accomplished in accordance with applicable accounting standards. Any change in exchange rates may therefore affect the Group's overall performance.
The Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the eurozone. The hedging strategies take into account market circumstances.

Financial Risk

Group results depend significantly on financial markets. Specifically, volatility and the performance of financial markets affect:
- inflows of assets under management and administration, and thus earned selling commissions;
- management commissions, due to lower asset volume (direct effect) and redemptions caused by unsatisfactory performance (indirect effect);
- the overall results of the banking and trading books.

Liquidity Risk

Liquidity Risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing and additional measures (mainly through a set of indicators, e.g. Loan to Deposit gap and Funding Concentration). In particular, gap analyses are performed within two distinct time horizons:
- liquidity imbalance mismatch approach on a daily basis, which controls for the short term liquidity risk arising from the overnight up to a 3 months maturity;
- structural gap ratios on a monthly basis, which control the medium to long term risk (structural liquidity) from the 1Y maturity onwards.

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 combinations hereof.
Moreover, the liquidity framework is also integrated by complementary measures, included in the Group's Risk Appetite framework. One of these is the core banking book funding gap (an adjusted Loan-to-deposit gap), which is calculated on a quarterly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities. Accounting figures are duly adjusted in order to exclude repo and reverse repo deals from the calculation.
In this context, the Parent Company takes into account all of the assets, liabilities, off-balance sheet positions and 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.

Other Risks

Istituto per il Credito Sportivo (ICS)

With reference to the extrajudicial procedure relating to Istituto per il Credito Sportivo (ICS), about which disclosure was provided in the financial statements as at December 31, 2012 and as at December 31, 2013, and connected with the annulment of the ICS Statute of 2005, please note that the new ICS Statute, in which UniCredit's shareholding in the company has been significantly diluted (from 10.81% to 1.264%), was issued by interministerial order of January 24, 2014 (published in the Official Gazette of April 19, 2014).
Although this measure was challenged by the private shareholders with a request for suspension, it was considered appropriate to prudentially adjust the shareholding held and its book value to the new statutory provisions.

Carlo Tassara S.p.A. restructuring process

On December 23, 2013 Carlo Tassara ("Tassara") and the creditor banks signed the third amendment agreement on the moratorium on debt payments.
The purpose of this transaction is to allow the company to better enhance certain assets under disposal, whose proceeds will be used to pay its financial debts.
The main terms and conditions of the Amendment Agreement include:

1. the postponement of the final expiry of the agreements to December 31, 2016;
2. the appointment of the 9 members composing the Board of Directors, with 6 independent members in accordance with the new corporate governance;
3. the conversion of the creditor banks' exposures into Strumenti Finanziari Partecipativi ("SFP") for a total amount of €650 million. The SFP, which can be traded once the restructuring agreement expires, have no maturity date and have a priority over any classes of shares with respect to distribution of net income and reserves, as well as in case of liquidation of Carlo Tassara. The criteria to split the SFP among the banks was calculated taking into account the amount and the distribution of the unsecured debt and, for the difference, the uncovered portion of the secured debt. The value of the listed securities was determined on the basis of the 6-month average share price before the closing of the restructuring agreement;
4. the commitment of the creditor banks to subscribing additional SFP on a pro-rata basis if in the course of the plan material losses occur pursuant to article 2447 of the Italian Civil Code;
5. the commitment of the creditor banks to converting into SFP the residual credits that should remain in place after the disposal of all the available-for-sale assets of Carlo Tassara;
6. the business continuity of Carlo Tassara will be ensured by enterprises with historical links with the Valcamonica area.

The existing collateral (pledge on Intesa Sanpaolo, Eramet and Cattolica Assicurazioni shares) remained in place after the signing of the above-mentioned agreements.
On December 27, 2013, following the fulfillment of the conditions precedent to the effectiveness of the third amendment agreement, the banks subscribed the SFP worth €650 million.
UniCredit subscribed 63,131,974 SFP worth €1.00 (nominal value) each and totaling €63 million, issued by Tassara pursuant to the resolution of the Extraordinary Meeting of December 23, 2013 and agreed to contemporaneously pay up these SFP by voluntarily offsetting a portion of its loans (nominal value) to Tassara totaling €63 million, reducing the Bank's overall exposure to Tassara.
As a result of the above-mentioned offsetting, part of the Bank's loans to Tassara (€63 million) was paid off and the Company's outstanding debts to the Bank decreased, with effect from December 27, 2013, by €63 million.
On December 23, 2013, in compliance with the governance provisions, the members of Carlo Tassara S.p.A.'s new Board of Directors were appointed.
As at March 31, 2014 UniCredit S.p.A.'s exposure amounted to €464 million, against which €91 million write-downs were recorded at the same date.
It should also be noted that during the first four months of 2014 Tassara sold listed securities (pledged and not pledged as collateral) worth €236.5 million.

For more details on other risks see "2013 Consolidated Reports and Accounts".

Information on Sovereign Exposures

With reference to the Group's sovereign exposures[1] as at March 31, 2014, the book value of sovereign debt securities amounted to €109,826 million, of which over 90% concentrated in eight countries; Italy, with €51,870 million, represents over 47% of the total. For each one of the eight countries, the table below shows the book value of the exposures broken down by portfolio as at March 31, 2014.

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

Group Results (Continued)

Information on risks (Continued)

Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 03.31.2014 BOOK VALUE
- Italy	**51,869,701**
financial assets/liabilities held for trading (net exposures*)	3,733,429
financial assets at fair value through profit or loss	21,795
available for sale financial assets	44,962,604
loans and receivables	248,040
held to maturity investments	2,903,832
- Germany	**25,270,785**
financial assets/liabilities held for trading (net exposures*)	1,637,880
financial assets at fair value through profit or loss	21,940,569
available for sale financial assets	162,548
loans and receivables	1,529,789
held to maturity investments	-
- Austria	**8,633,992**
financial assets/liabilities held for trading (net exposures*)	196,683
financial assets at fair value through profit or loss	21,567
available for sale financial assets	8,287,058
loans and receivables	-
held to maturity investments	128,684
- Poland	**6,895,283**
financial assets/liabilities held for trading (net exposures*)	290,529
financial assets at fair value through profit or loss	-
available for sale financial assets	5,140,224
loans and receivables	1,190,099
held to maturity investments	274,431
- Czech Republic	**2,584,280**
financial assets/liabilities held for trading (net exposures*)	142,217
financial assets at fair value through profit or loss	138,222
available for sale financial assets	2,303,841
loans and receivables	-
held to maturity investments	-
- France	**1,806,745**
financial assets/liabilities held for trading (net exposures*)	367,923
financial assets at fair value through profit or loss	1,045,641
available for sale financial assets	112,604
loans and receivables	280,577
held to maturity investments	-
- Romania	**1,255,347**
financial assets/liabilities held for trading (net exposures*)	126,951
financial assets at fair value through profit or loss	-
available for sale financial assets	1,128,396
loans and receivables	-
held to maturity investments	-
- Hungary	**1,055,097**
financial assets/liabilities held for trading (net exposures*)	75,728
financial assets at fair value through profit or loss	-
available for sale financial assets	973,476
loans and receivables	-
held to maturity investments	5,892
Total on-balance sheet exposures	**99,371,230**

* including exposures in Credit Derivatives.

The remaining about 10% of the total of sovereign debt securities, amounting to €10,455 million with reference to the book values, is divided into 58 countries, among which Spain (€409 million), Slovenia (€256 million), the US (€67 million), Portugal (€25 million) and Ireland (€2 million) The sovereign debt securities exposures towards Cyprus and Greece are immaterial.

These exposures were not subject to impairment at Q1 2014.

In addition to the exposures to sovereign debt securities, loans[2] given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount as at March 31, 2014 of loans given to countries towards which the overall exposure exceeds €150 million, representing more than 95% of the total.

Breakdown of Sovereign Loans by Country

(€ '000)

COUNTRY	AMOUNTS AS AT 03.31.2014 BOOK VALUE
- Germany*	7,621,816
- Italy	6,388,098
- Austria**	5,745,872
- Croatia	2,466,585
- Poland	1,553,493
- Indonesia	451,647
- Slovenia	234,056
- Turkey	222,290
- Bosnia-Herzegovina	211,177
- Bulgaria	174,439
- Brazil	162,019
- Serbia	155,086
- Hungary	153,210
Total on-balance sheet exposures	**25,539,789**

* of which 871,068 in financial assets held for trading and those at fair value through profit or loss.
** of which 218,487 in financial assets held for trading and those 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.

2. Excluding tax items.

Information about the shareholding in the Bank of Italy

At March 31, 2014, as well as at December 31, 2013, the portfolio of investments available for sale included the new quotas of the capital of the Bank of Italy, in the amount of €1,659 million, arising from the resolution of the extraordinary General Meeting of the equity participants held on December 23, 2013. Pursuant to the provisions of Law Decree No. 133, subsequently converted into Law No. 29/2014, such meeting cancelled the old instruments and issued new shares as part of the capital increase to €7.5 billion.

The accounting effects of this transaction were reflected in the profit and loss account (gain on disposal equal to €1,190 million, net of a €184 million tax effect) in the financial year 2013, as the conditions provided for by IAS 39 on derecognition were deemed to be met.

With reference to the treatment so adopted a number of interpretation issues arose at the international level, which are still being studied by the competent authorities.

A different interpretation from the approach adopted would have involved - the comprehensive income being equal - the recognition of the proceeds in the shareholders' equity and not in the profit and loss account in 2013.

The proposals discussed by the Council of Ministers during the month of April, which resulted in the issue of Law Decree No. 66 of April 24, 2014 (to be converted into law upon completion of the parliamentary procedure) providing for the increase in the tax rate to be applied to the increased value of the new quotas of the Bank of Italy (from 12 per cent to 26 per cent), shall entail an additional tax charge in the amount of approximately €215 million. The effects of this additional charge have not yet been included in the Consolidated Interim Report as at March 31, 2014 in accordance with IAS 12.

Results by Business Segment

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking division) and the Leasing and Factoring product factories. In relation to individual clients (Households and clients of specialized network Private Banking), Commercial Banking's goal is to offer a full range of investments and credit needs, relying on almost 4,000 branches and multichannel services provided by new technologies. In relation to corporate customers, Commercial Banking, with about 1.100 Managers divided in 196 Corporate branches, operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio.

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING ITALY	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	2,118	+9.1%	+8.7%
Operating costs	(1,044)	-1.2%	-0.8%
Net write-downs on loans	(280)	+98.3%	-62.5%
Net operating profit	795	+6.7%	n.s.
Profit before tax	778	+7.8%	n.s.
Loans to customers (eop)	131,804	-2.6%	+0.7%
Customer deposits (incl. Securities in issue - eop)	147,799	-5.6%	-1.6%
Total RWA Eop	74,967	+2.1%	-3.4%
EVA (€ million)	270	+21.1%	-55.0%
Absorbed Capital (€ million)	7,222	-1.7%	+0.3%
RARORAC	+14.97%	282bp	n.s.
Cost/Income	+49.3%	-511bp	-473bp
Cost of Risk	0.85%	44bp	-141bp
Full Time Equivalent (eop)	37,343	-2.7%	-0.5%

Commercial Banking Germany

Commercial Banking Germany provides all German customers - except CIB clients - with a complete range of banking products and services. With its strong funding base it is an important liquidity provider.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in Private Banking and especially in business with local corporate customers (including factoring and leasing). The Division also includes the local Corporate Center, which performs tasks as Sub-holding towards other Sub-group.

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING GERMANY	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	706	-15.2%	+3.7%
Operating costs	(522)	-2.5%	-1.4%
Net write-downs on loans	(15)	-37.4%	-35.4%
Net operating profit	169	-38.1%	+32.4%
Profit before tax	172	-36.7%	-168.3%
Loans to customers (eop)	78,819	-5.5%	-0.6%
Customer deposits (incl. Securities in issue - eop)	105,914	-5.0%	-2.5%
Total RWA Eop	35,199	-6.1%	+4.1%
EVA (€ million)	39	-64.8%	-58.4%
Absorbed Capital (€ million)	2,752	-8.5%	-11.4%
RARORAC	+5.70%	n.s.	266bp
Cost/Income	+74.0%	n.s.	-388bp
Cost of Risk	0.08%	-4bp	-4bp
Full Time Equivalent (eop)	13,758	-4.7%	-1.1%

Commercial Banking Austria

Commercial Banking Austria provides all Austrian customers - except CIB clients - with a complete range of banking products and services. With its strong funding base it is an important liquidity provider.
Commercial Banking Austria holds large market shares and a strategic market position in retail banking, in Private Banking and especially in business with local corporate customers (including factoring and leasing). The Division also includes the local Corporate Center, which performs tasks in connection with Bank Austria's Sub-holding company function.

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	387	+4.5%	-8.8%
Operating costs	(365)	+1.3%	-3.3%
Net write-downs on loans	(48)	-0.7%	+5.1%
Net operating profit	(27)	-31.6%	n.s.
Profit before tax	13	-112.5%	-106.2%
Loans to customers (eop)	47,873	-2.8%	-1.1%
Customer deposits (incl. Securities in issue - eop)	60,932	+1.4%	+3.0%
Total RWA Eop	27,082	+6.9%	+8.2%
EVA (€ million)	(89)	-35.9%	-78.6%
Absorbed Capital (€ million)	2,437	+4.3%	+9.9%
RARORAC	-15.18%	n.s.	365bp
Cost/Income	+94.4%	-297bp	540bp
Cost of Risk	0.40%	1bp	2bp
Full Time Equivalent (eop)	6,808	-2.3%	-1.2%

Poland

Bank Pekao S.A. is one of the biggest banks in Poland providing a full range of banking services to individual and institutional clients. Bank Pekao has a nationwide network of 1,001 branches, a strong presence in all the major cities and Poland's biggest ATM network (together with Euronet) consisting of almost 6,100 ATM's (of which 1,847 ATMs owned by the Bank), enabling the Bank's customers to have fully flexible and easy access to banking services all over the country.

Income Statement, Key Ratios and Indicators

(€ million)

POLAND	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	429	-3.3%	-6.0%
Operating costs	(206)	-0.5%	+1.8%
Net write-downs on loans	(35)	-9.1%	-16.6%
Net operating profit	188	-5.0%	-11.3%
Profit before tax	187	-5.1%	-13.4%
Loans to customers (eop)	25,539	+9.7%	+2.0%
Customer deposits (incl. Securities in issue - eop)	27,496	+3.5%	-6.9%
Total RWA Eop	25,222	+6.0%	+0.5%
EVA (€ million)	42	-7.9%	-78.5%
Absorbed Capital (€ million)	1,142	+4.2%	+4.8%
RARORAC	+14.85%	-196bp	-320bp
Cost/Income	+48.0%	132bp	368bp
Cost of Risk	0.56%	-10bp	-13bp
Full Time Equivalent (eop)	18,129	-2.4%	-0.1%

Results by Business Segment (Continued)

CEE Division

UniCredit is a market leader in Central and Eastern Europe, where it has a broad network of about 2,600 branches. Its regional footprint is diverse and includes a direct presence in 16 countries. The Group's market position in CEE provides local banks with substantial competitive advantages. This includes the sharing of best practices, significant economies of scale, access to international markets and strong brand recognition. Moreover, the diversified portfolio in this region enables modular growth and increased market penetration for UniCredit's global product lines.

Income Statement, Key Ratios and Indicators

(€ million)

CEE DIVISION	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	902	-11.6%	-23.4%
Operating costs	(415)	-4.6%	-10.0%
Net write-downs on loans	(148)	-23.8%	-70.6%
Net operating profit	338	-13.3%	+60.9%
Profit before tax	326	-15.9%	+90.0%
Loans to customers (eop)	55,822	-6.0%	-2.3%
Customer deposits (incl. Securities in issue - eop)	47,304	+2.4%	-4.4%
Total RWA Eop	83,361	-6.9%	+2.1%
EVA (€ million)	78	-38.7%	-83.4%
Absorbed Capital (€ million)	5,603	-6.5%	-3.3%
RARORAC	+5.57%	-289bp	-251bp
Cost/Income	+46.0%	339bp	n.s.
Cost of Risk	1.05%	-29bp	-243bp
Full Time Equivalent (eop)	30,619	-2.9%	-0.7%

CIB

Corporate & Investment Banking (CIB) is dedicated to multinational and large corporate clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit group. The business model adopted is focused on a clear distinction between coverage and local distribution (Network) areas, and those areas dedicated to centralized specialization of dedicated products or services, namely Financing & Advisory (F&A), Markets and Global Transaction Banking (GTB).

Income Statement, Key Ratios and Indicators

(€ million)

CIB	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	963	-12.0%	-7.9%
Operating costs	(448)	+4.4%	+5.0%
Net write-downs on loans	-	-100.3%	-100.0%
Net operating profit	516	-11.4%	n.s.
Profit before tax	554	-0.2%	n.s.
Loans to customers (eop)	97,658	-5.3%	+3.4%
Customer deposits (incl. Securities in issue - eop)	87,123	+8.3%	+13.4%
Total RWA Eop	76,667	-15.7%	+2.7%
EVA (€ million)	147	+83.4%	+226.7%
ROAC	+21.7%	486bp	n.s.
(Rev-LLP)/RWA	+5.10%	71bp	285bp
Cost/Income	+46.5%	n.s.	570bp
Cost of Risk	0.00%	-32bp	-246bp
Full Time Equivalent (eop)	3,941	+12.4%	-4.9%

Asset Management

Asset Management operates under the Pioneer Investments brand, the asset management company within the UniCredit group specializing in the management of customer investments worldwide.
The Business Line, a partner of many leading international financial institutions, offers investors a broad range of financial solutions, including mutual funds, assets under administration and portfolios for institutional investors.
Pioneer Investments started an organic growth strategic plan which will further enhance the quality of Pioneer Investments' product offering while maintaining focus on delivering an outstanding level of client service.
In 2012, its relationship with UniCredit was also reviewed through a distribution agreement that sets specific requirements in terms of performance and quality of service provided by Pioneer. Reciprocally, UniCredit has committed to effectively support Pioneer leveraging on its distribution network, maintaining agreed level of market share.

Income Statement, Key Ratios and Indicators

(€ million)

ASSET MANAGEMENT	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	186	+6.3%	-7.1%
Operating costs	(120)	+3.5%	-28.9%
Net write-downs on loans	-	n.s.	n.s.
Net operating profit	66	+11.9%	+108.3%
Profit before tax	67	+16.6%	+152.1%
TFAs (eop)	187,020	+8.0%	+2.9%
RoA (Operating Income/avg TFAs)	+0.40%	-0.94bp	-3.10bp
EVA (€ million)	40	+13.0%	-67.8%
Absorbed Capital (€ million)	266	+5.9%	+2.1%
RARORAC	+59.9%	372bp	n.s.
Cost/Income	+64.5%	-177bp	n.s.
Full Time Equivalent (eop)	2,007	+0.6%	+0.6%

Asset Gathering

Asset Gathering is a division specialized in wealth management through the direct channel and the financial advisors network, mainly focused on the retail customer segment.
It operates in Italy through Fineco Bank, which, with its direct channel and a network of more than 2,400 financial advisors, offers all the banking and the investment services of traditional banks, with a specific focus on innovation, that emerges mainly from the development of the online trading, with respect to which FinecoBank is leader at a national and European level. Asset Gathering division operates also in Germany through Dab Bank, Germany's direct-bank specialist for investment-related services. As the first online broker in the German market, it's oriented both to individual investors (B2C) and financial intermediaries (B2B). Asset Gathering has also a presence in Austria through direktanlage.at, Austrian's online brokerage leader; it was acquired by DAB Bank in 2002.

Income Statement, Key Ratios and Indicators

(€ million)

ASSET GATHERING	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	149	+5.4%	+4.8%
Operating costs	(80)	+2.2%	+5.7%
Net write-downs on loans	(1)	-33.9%	-68.1%
Net operating profit	68	+9.8%	+5.6%
Profit before tax	64	+9.0%	+23.8%
Loans to customers Eop	981	+17.4%	+6.6%
Customer deposits (incl. Securities in issue) Eop	18,975	+9.8%	+4.1%
Total RWA Eop	3,181	+6.8%	+9.2%
TFAs Outstading Stock (eop)	79,195	+11.5%	+4.1%
TFAs Net Sales	2,158	+4.4%	+74.9%
EVA (€ million)	34	+13.4%	-68.2%
Absorbed Capital (€ million)	264	+4.9%	+10.3%
RARORAC	51.8%	392bp	n.s.
Cost/Income	+53.8%	-164bp	48bp
Full Time Equivalent (eop)	1,485	+1.7%	-0.0%

Results by Business Segment (Continued)

Non-core

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

Income Statement, Key Ratios and Indicators

(€ million)

NON-CORE	2014 Q1	% CHANGE ON Q1 2013	% CHANGE ON Q4 2013
Operating income	91	-57.4%	-35.1%
Operating costs	(173)	-0.1%	+14.3%
Net write-downs on loans	(315)	-50.9%	-95.7%
Net operating profit	(397)	-33.9%	-94.6%
Profit before tax	(402)	-33.5%	-94.5%
Loans to customers (eop)	52,323	-20.9%	-1.9%
Net impaired loans (percentage of total net loans)	51.15%	4.6pp	1.0pp
Total RWA Eop	29,972	-26.8%	-4.5%
EVA (€ million)	(348)	-40.4%	-94.9%
Absorbed Capital (€ million)	1,884	-58.3%	-35.4%
RARORAC	n,s	n.s.	n.s.
Cost/Income	n.s.	n.s.	n.s.
Cost of Risk	2.39%	-146bp	n.s.
Full Time Equivalent (eop)	1,981	+7.0%	+0.4%

Other information

Development of Group operations and other corporate transactions

After focusing, in past years, on the completion of a number of projects to rationalize, in accordance with its organizational model, the operations of some of its subsidiaries, also with the aim of achieving greater synergies and cost reductions, UniCredit has decided to undertake new actions to develop high-growth businesses.
In addition, the divestment of shareholdings no longer considered strategic continued.

Initial Public Offering (IPO) and listing of FinecoBank

In order to accelerate the growth of the subsidiary and enhance its market visibility while optimizing the allocation of capital, in March 2014 the Group decided to initiate the activities relating to the Initial Public Offering (IPO) of the ordinary shares of FinecoBank.
As part of this transaction, FinecoBank, in line with the initiatives set out in the Group's 2013-2018 Strategic Plan, has recently applied for admission to listing of its ordinary shares on the Mercato Telematico Azionario, organized and managed by Borsa Italiana, and filed a request with CONSOB for the approval of the Prospectus relating to the public offering and listing of its shares.
At the end of the listing process UniCredit will remain the majority shareholder of FinecoBank.

"Subito casa" project

In order to develop new business models based on the centrality of the branch network as part of an integrated marketing system, a plan has been developed to offer dedicated and distinctive services for the sale and leasing of real estate (primarily for residential use) owned by customers, the market and builders.
More specifically, the project is based on the highly important role played by the real estate market in the Italian economic system and on expectations of its recovery after the significant decline recorded over the past years.
To implement the project, in March 2014 UniCredit established a new wholly-owned subsidiary called UniCredit Subito Casa S.p.A., which will specialize in real estate brokerage in Italy.
The operational launch of the initiative (which will initially involve the major Italian cities - Turin, Milan, Verona, Bologna, Rome, Naples and Palermo) is expected to take place within the first half of 2014, with subsequent extension to the remaining Italian territory.

Search for a strategic partner for UniCredit Credit Management Bank for the management and collection of non-performing loans

UniCredit Credit Management Bank (UCCMB) is the Group's bank dedicated to the management and collection of non-performing loans originated in Italy. Today UCCMB is the largest Italian platform for assets under management and has an excellent track record, as evidenced by the title of high quality platform it was awarded by Standard & Poor's and Fitch Ratings.
The structure of non-performing loans and the strategy implemented to manage them are currently undergoing a reorganization process, as part of which UniCredit is considering selling UCCMB to a specialized operator, which would enable the Group to create added value by encouraging the collection of loans. UCCMB could thus become a national debt collector by strengthening its operations in the non-captive market.

Other transactions involving shareholdings

Shareholding in Lauro Sessantuno S.p.A.

In June 2013 UniCredit, together with Intesa Sanpaolo, became involved as a financial partner (with an 18.43% stake worth €115 million) in the establishment of Lauro Sessantuno S.p.A., an SPV (also owned by Nuove Partecipazioni (NP) - a company linked to Marco Tronchetti Provera - and by Clessidra SGR) that, after a series of corporate transactions (including a full takeover bid), acquired 100% of the share capital of Camfin, a company that owns 26.19% of Pirelli.
The transaction was aimed at encouraging the reorganization of Pirelli's shareholding structure and at benefitting, over a period of 3/4 years, from any increases in the value of the Pirelli Group, an example of manufacturing excellence in Italy and in the world.
In March 2014 UniCredit, Intesa Sanpaolo and NP reached a tentative agreement with the Russian group Rosneft (the world's major operator in the oil and gas industry), which provides, on the one hand, for the exit of Clessidra and a partial divestment of UniCredit and Intesa Sanpaolo from the existing partnership in Lauro Sessantuno/Camfin and, on the other hand, for the formation of a new partnership (which will acquire the shareholding in Pirelli now owned by Lauro Sessantuno/Camfin) of which Rosneft will hold 50%, while the remaining 50% will be held by a vehicle owned by NP (about 80%) and by UniCredit and Intesa Sanpaolo (about 10% each).
The transaction - whose conditions are still being decided and that will be subject to any authorizations by the competent authorities - would be conducted by setting at €12 the value of each share held indirectly in Pirelli and is aimed at developing Pirelli's activities and business also by strengthening the sales network in Russia thanks to Rosneft's extensive market coverage across the country.

Acquisition of a shareholding in ERG Renew S.p.A.

In January 2014 UniCredit subscribed for a capital increase of ERG Renew, with an investment of €50 million, corresponding to 7.14% of the company's share capital. UniCredit's investment is aimed at supporting ERG Renew's plans to expand into the renewable energy business in Italy and abroad and will enable the Group to benefit from any increases in the value of the investee, also in view of a future possible listing.

Other information (Continued)

Development of Group operations and other corporate transactions (Continued)

Sale of non-strategic shareholdings

Sale of the shareholding in Atlantia S.p.A.

In March UniCredit sold its entire stake (0.67%) in Atlantia S.p.A., realizing a gross capital gain of about €77 million on a consolidated basis.

Sale of 20.1% of Sia S.p.A.

In December 2013 UniCredit, Intesa Sanpaolo, Banca Monte dei Paschi di Siena and BNL signed with Fondo Strategico Italiano, F2i SGR and Orizzonte SGR the agreements for the sale of 59.3% of Sia's share capital, of which 28.9% held by Intesa Sanpaolo Group, 20.1% by UniCredit, 5.8% by Banca Monte dei Paschi di Siena and 4.5% by BNL.
As a result of the transaction, UniCredit (and Intesa Sanpaolo) will retain a 4% stake in Sia, while the other existing shareholders will retain the remaining 32.7% of Sia's share capital.
The sale of 20.1% of Sia has not yet been completed and is expected to take place by the first half of 2014; the effects of this sale are therefore not included in this consolidated interim report.

Certifications and other communications

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

- during the first quarter of 2014 a transaction of greater importance was conducted with FinecoBank S.p.A - today a 100%-owned subsidiary of UniCredit S.p.A. and therefore subject to the exclusions provided for by the Global Policy with respect to intragroup transactions - but anyway subject to the early opinion of the Related-party and Equity Investments Committee and the Board of Directors as part of the activities aimed at the listing of FinecoBank, which, if the listing is successful, will become a related party of the company. Specific disclosure on the transaction was provided in the IPO Prospectus filed with Consob;
- in Q1 2014, 2 transactions with related parties as defined by Article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions. These transactions did not however significantly impact the Group's Balance Sheet and Income Statement;
- in Q1 2014, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group's financial position or results during the reference period.

Capital Strengthening

On March 27, 2014, with value date April 3, 2014, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in USD, for a total of US$1.25 billion, with characteristics compliant with new "CRD IV" regulation in place 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 10 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 8.00% per annum for the initial 10 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 518 bps. In line with the regulatory requirements, the coupon payments are fully discretionary. Additional Tier 1 will contribute to strengthen the Tier 1 ratio of UniCredit S.p.A. The Notes have a 5.125% Common Equity Tier 1 (CET1) trigger - if the Group or UniCredit S.p.A. 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.
The transaction represents the inaugural deal for a CRD IV compliant AT1 by an Italian issuer and the first RegS Perp NC10 USD denominated issue by a European Bank. The offer has encountered exceptional interest from investors, bringing the order book to almost US$8 billion with approx. 450 investors.
Given the positive feedback, the initial price guidance was set at 8.25% area and has been revised to 8.00%/8.25%. Coupon was finally fixed at 8.00% for the initial 10 years, with an issue price set at 100%. Furthermore, the final size of the deal has increased to US$1.25 billion from initial target of US$1 billion.
The Notes were distributed to different institutional investors' categories such as funds (71%), insurance companies/pension funds (10%) and private banks (9%). The demand was mainly coming from the following regions: UK (39%), Italy (20%), Asia (12%) and Switzerland (8%).
UniCredit Corporate & Investment Banking, together with Citi, HSBC, Societe Generale and UBS, has managed the placement acting as joint bookrunners. The assigned rating from Fitch is "BB-". Bonds are listed on the Luxembourg Stock Exchange.

Please note that on March 11, 2014 UniCredit's Board of Directors, pursuant to the powers conferred by the Extraordinary Shareholders' Meeting of April 29, 2011 and the Extraordinary Shareholders' Meeting of May 11, 2012, resolved to increase the share capital by €28,143,498.84 by issuing 8,498,340 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies.

Subsequent Events and Outlook

Subsequent Events

On April 17, 2014 UniCredit and the Commissioners of the Cirio Group companies under extraordinary administration announced that they had reached an amicable settlement of all mutual relations and claims relating to the UniCredit group, also as the successor of the Capitalia Group. The agreement provides for the payment by UniCredit of €178 million, in addition to the waiver of the shares and loans, for a total amount for the Cirio group under extraordinary administration exceeding €200 million. The effects of the agreement have already been reflected in the accounts.

While convinced of the merits of the above-mentioned claims, the Commissioners, who received authorization by the Monitoring Committee and the Ministry of Economic Development, opted for an amicable settlement to avoid lengthy, complex and burdensome litigations and to acquire resources to be distributed quickly to the bankruptcy creditors. UniCredit, also as the successor of the Capitalia Group, denies any wrongdoing and claims that it was never aware of the state of insolvency of the Cirio Group companies. The decision to reach an amicable settlement was thus exclusively motivated by the intention of eliminating the costs and uncertainties of a long and complex litigation and does not imply any admission - not even implicit - of responsibility whatsoever.

This report also includes disclosures about the following events:

- publication in the Official Gazette of April 19, 2014 of the Interministerial Order of January 24, 2014 relating to the new ICS Statute;
- issue of Additional Tier 1 instruments worth US$1.25 billion with value date April 3, 2014;
- issue of Legislative Decree no. 66 of April 24, 2014 - whose effects have not yet been included in this Consolidated Interim Report -, which provides for both an increase in the rate that will be applied to the higher value of the new shareholding in the Bank of Italy and changes in the IRAP rates.

Outlook

The global economy continued to show signs of recovery during the first quarter of 2014. The growth rate remained moderate and was characterized by the gradual strengthening of the recovery in advanced economies, albeit with differences from country to country, and a further slowdown in emerging economies.

During the quarter there was a gradual easing of tensions on the financial markets of emerging economies, which were triggered by the expectations of the Fed's tapering.
By contrast, the normalization process that characterized the bond markets of the eurozone continued, with a gradual and constant return of risk appetite among investors that benefited the peripheral eurozone countries, with a further narrowing of yield spreads over German Bunds.

With respect to the emerging economies, what raised major concerns for its impact at the global level was the slowdown in Chinese growth, which stood at 7.4% q/q in the first quarter of the year compared to 7.7% in the last quarter of 2013. A further risk factor is related to the emergence and gradual intensification, in recent months, of geopolitical tensions between Russia and Ukraine. While the impact on the economies of these two countries was already visible in the first quarter, up to now the spillovers into the economies of Central Europe and, consequently, into the euro area, have been small.

The economic recovery in the eurozone continued during the first quarter. Confidence indicators during the first three months of the year showed a consolidation of growth, which is expected to stand at about 1.5% annualized (+0.4% q/q).
Industrial production data for the first two months of the year show a not very good performance of the industry as a whole, which is, however, mainly due to a weak trend in the energy sector, while the expansion in the manufacturing sector continued at a rapid pace.

Italy emerged from its long and deep recession in the fourth quarter of 2013, recording a 0.1% q/q GDP growth. The improvement observed in business confidence indicators in the first three months of the year supports expectations for an acceleration in economic activity in the first quarter of 2014 (+0.3% q/q).

The survey of purchasing managers in the manufacturing sector (Manufacturing PMI), in particular, approached its long-term average and is consistent with an expansion in industrial activity in the first quarter of the year.
Though with a lag compared to the manufacturing PMI, the services PMI in early 2014 recorded a nice improvement, hinting that domestic demand begin to drive growth together with export.

In the first quarter inflation surprised to the downside, hitting 0.5% in March, the lowest level since October 2009. This marked weakness reignited fears that the eurozone is gradually slipping towards a deflation scenario and, in parallel, this triggered increasing speculation on the market of an intervention by the ECB, both in terms of conventional and unconventional monetary policies. Until now, however, the European Central Bank has not taken any concrete actions to deal with this risk - probably because it considers it marginal.

Notwithstanding the fact that risks of an exacerbation of financial market tensions still prevail, the continued support of the ECB, together with the actions taken by European banks to strengthen their capital positions, should support a process of ongoing normalization in banking activity.

Relevant and positive results achieved by UniCredit in the first quarter of the year, confirm the effectiveness of the strategic choices and show that the Group is moving in the right direction and in line with targets set for the year.

Based on the strategic plan framework, the Group is strongly working in all Countries and areas in order to increase the profitability adopting a sustainable business model close to our customers' needs. For the first time after a while, Italian activity also, thanks to revenues' growth and a structural reduction of cost of risk, does mark a positive result and significantly contributes to the Group's profit, maintaining a solid capital basis and a coverage ratio on impaired loans which is confirmed as extremely high.

All this allow us to look at 2014 with confidence and the awareness to be able to accompany and sustain a recovery phase which begins to take shape.

Rome - May 12, 2014

The Board of Directors

Chairman
GIUSEPPE VITA

CEO
FEDERICO GHIZZONI

Further information

As noted in the "2013 Consolidated Reports and Accounts", in October 2013 the ECB and National Competent Authorities responsible for conducting banking supervision announced a Comprehensive assessment of Significant Banks, in line with the provisions of the Regulation on the Single Supervisory Mechanism (SSM Regulation). The UniCredit group is subject to this Comprehensive Assessment, as part of which the so-called Asset Quality Review is currently being performed.

IFRS 10, IFRS 11, IAS 27 and IAS 28

On January 1, 2014, with retroactive effect on January 1, 2013 the following accounting standards became effective: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", a revised version of IAS 27, "Separate Financial Statements", and a revised version of IAS 28, "Investments in Associates and Joint Ventures".

IFRS 10 partially replaces IAS 27, "Consolidated and Separate Financial Statements" and totally replaces SIC 12, "Consolidation - Special Purpose Entities", and establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC 12.
According to the new definition of "control" an investor controls an investee when it has power over the relevant activities, exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee.

The application of this new standard resulted into first time consolidation of a real estate investment fund and 26 securitization vehicles having UniCredit group as originator.
Control according to IFRS 10 made effect due to the fact that the Group has subscribed financial instruments issued by the above mentioned entities, therefore being significantly exposed to the variability of their returns, and is either servicer or manager of the underlying asset's portfolio.

Following the first time adoption of IFRS 10, the Group recorded a net negative change in Shareholders' equity of €125.4 million as at January 1, 2013.

IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly-controlled Entities - Non-monetary Contributions by Venturers" and has eliminated the option to adopt proportional consolidation method, requiring the switch to the equity method for the consolidation of joint controlled entities. A total of 26 companies, of which 15 belonging to the Koc/Yapi Kredi group, were deconsolidated and, if the conditions were met, accounted for using the equity method.
This resulted in a reduction in assets and liabilities (approximately €18.4 million).

Comparative information for 2013 has been restated.

The following tables report for all 2013 quarters the changes recognized in balance sheet, respectively for assets and liabilities, due to the adoption of the new standards.

ASSETS	12.31.2013	09.30.2013	06.30.2013	03.31.2013
Cash and cash balances	(288)	(310)	(294)	(290)
Financial assets held for trading	(209)	(172)	(138)	(85)
Loans and receivables with banks	1,566	989	1,026	746
Loans and receivables with customers	(18,833)	(18,951)	(18,993)	(19,054)
Financial investments	117	203	(5)	(37)
Hedging instruments	(74)	(61)	(68)	(41)
Property, plant and equipment	(132)	(135)	(152)	(170)
Goodwill	-	(237)	(254)	(273)
Other intangible assets	(57)	(55)	(59)	(64)
Tax assets	(117)	(129)	(165)	(180)
Non-current assets and disposal groups classified as held for sale	-	-	(266)	(280)
Other assets	(274)	(164)	(174)	(334)
Total assets	**(18,300)**	**(19,020)**	**(19,541)**	**(20,062)**

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2013	09.30.2013	06.30.2013	03.31.2013
Deposits from banks	(2,778)	(3,083)	(3,228)	(3,336)
Deposits from customers	(17,432)	(17,112)	(17,434)	(18,063)
Debt securities in issue	4,173	3,603	3,706	4,049
Financial liabilities held for trading	631	572	616	632
Financial liabilities designated at fair value	9	9	9	9
Hedging instruments	(53)	(64)	(76)	(125)
Provisions for risks and charges	(170)	(203)	(220)	(237)
Tax liabilities	(72)	(91)	(114)	(120)
Liabilities included in disposal groups classified as held for sale	-	-	(240)	(264)
Other liabilities	(2,490)	(2,525)	(2,433)	(2,475)
Minorities	-	-	-	-
Group Shareholders' Equity**:	(119)	(124)	(126)	(132)
*- Capital and reserves**	*(166)*	*(133)*	*(106)*	*10*
*- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve***	*47*	*8*	*(21)*	*(142)*
- Net profit (loss)	-	-	-	-
Total liabilities and Shareholders' Equity	**(18,300)**	**(19,020)**	**(19,541)**	**(20,062)**

* Includes the FTA reserve amounting to -€144,7 million.

** The difference between the overall net equity and the FTA reserve is attributable to the changes in the fair value reserves of each quarter.

Further information (CONTINUED)

The following table reports, split by quarters, the changes recognized in consolidated income statement as of December 31, 2013, due to the adoption of the new standards.
In addition to IFRS 10 and IFRS 11 adjustments, column "Further Adjustments" includes the reclassification of income and expenses belonging to consolidated industrial companies (i.e. subsidiaries operating in sectors other than banking and other financial services) within "net other expenses/income". As noted in the "Prefatory Note to the Consolidated Interim Report" of this document, this reclassification only applies to the Condensed Consolidated Income Statement.

Consolidated Income Statement

(€ million)

	ORIGINALLY REPORTED 12.31.2013	IFRS 10 AND IFRS 11 ADJUSTMENTS				RESTATED 12.31.2013	FURTHER ADJUSTMENTS	RESTATED AND RECLASSIFIED 12.31.2013
		Q1	Q2	Q3	Q4			
Net interest	12,990	(218)	(185)	(164)	(121)	12,303	-	12,303
Dividends and other income from equity investments	324	98	141	296	103	961	-	961
Net fees and commissions	7,728	(78)	(113)	(70)	(106)	7,361	-	7,361
Net trading income	2,657	(13)	(55)	(34)	(50)	2,505	-	2,505
Net other expenses/income	273	(9)	(17)	2	8	257	(70)	187
OPERATING INCOME	**23,973**	**(219)**	**(231)**	**29**	**(166)**	**23,387**	**(70)**	**23,317**
Payroll costs	(8,649)	71	74	61	62	(8,382)	7	(8,375)
Other administrative expenses	(5,559)	54	51	44	43	(5,367)	11	(5,357)
Recovery of expenses	715	3	5	3	(10)	716	-	716
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1,307)	11	11	10	9	(1,266)	29	(1,238)
Operating costs	**(14,801)**	**139**	**141**	**118**	**104**	**(14,300)**	**47**	**(14,253)**
OPERATING PROFIT (LOSS)	**9,172**	**(81)**	**(90)**	**147**	**(62)**	**9,087**	**(23)**	**9,063**
Net write-downs on loans and provisions for guarantees and commitments	(13,658)	46	45	33	42	(13,493)	12	(13,481)
NET OPERATING PROFIT (LOSS)	**(4,486)**	**(35)**	**(45)**	**180**	**(20)**	**(4,406)**	**(11)**	**(4,418)**
Provisions for risks and charges	(996)	11	12	5	1	(967)	(1)	(968)
Integration costs	(727)	-	-	-	-	(727)	-	(727)
Net income from investments	1,322	(1)	(1)	(220)	(228)	872	21	892
PROFIT (LOSS) BEFORE TAX	**(4,888)**	**(24)**	**(34)**	**(36)**	**(247)**	**(5,228)**	**9**	**(5,220)**
Income tax for the period	1,607	24	34	36	24	1,724	(9)	1,716
NET PROFIT (LOSS)	**(3,281)**	**-**	**-**	**-**	**(223)**	**(3,504)**	**-**	**(3,504)**
Profit (Loss) from non-current assets held for sale, after tax	(639)	-	-	-	-	(639)	-	(639)
PROFIT (LOSS) FOR THE PERIOD	**(3,920)**	**-**	**-**	**-**	**(223)**	**(4,143)**	**-**	**(4,143)**
Minorities	(382)	-	-	-	-	(382)	-	(382)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**(4,302)**	**-**	**-**	**-**	**(223)**	**(4,524)**	**-**	**(4,524)**
Purchase Price Allocation effect	(1,673)	-	-	-	-	(1,673)	-	(1,673)
Goodwill impairment	(7,990)	-	-	-	223	(7,767)	-	(7,767)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**(13,965)**	**-**	**-**	**-**	**-**	**(13,965)**	**-**	**(13,965)**

Declaration by the Manager charged with preparing the financial reports

The undersigned, Marina Natale, in her capacity as the Manager charged with preparing UniCredit S.p.A.'s financial reports

DECLARES

that, pursuant to article 154-bis, paragraph 2, of the "Consolidated Law on Financial Intermediation", the information disclosed in the Consolidated Interim Report as at March 31, 2014 corresponds to the accounting documents, books and records.

Rome - May 12, 2014

Manager charged with preparing
the financial reports

MARINA NATALE

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