One Bank One UniCredit

2016

Annual Report

UniCredit Business Integrated Solutions

We are a simple pan-European commercial bank with a fully plugged in Corporate & Investment Banking, delivering our unique Western, Central and Eastern European network to our extensive client franchise.

We offer local expertise as well as international reach. We accompany and support our 25 million clients globally, providing them with unparalleled access to our leading banks in 14 core markets as well as to another 18 countries worldwide.

Our vision is to be "One Bank, One UniCredit".

Everything we do to implement our vision is based on our Five Fundamentals.

Our top priority, every minute of the day, is to serve our customers the very best we can (Customers First).

To do this, we rely on the quality and commitment of our people (People Development), and on our ability to cooperate and generate synergies as "One Bank, One UniCredit" (Cooperation & Synergies).

We take the right kind of risk (Risk Management) whilst being very disciplined in executing our strategy (Execution & Discipline).

UniCredit
Business Integrated Solutions

Customers First

Our top priority, every minute of the day, is to serve our customers the very best we can. We provide solutions for a wide variety of different personal finance and enterprise business needs. Our products and services are based on our customer's real needs and aimed at creating value for both individuals and businesses.

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People Development

Our success depends on the quality and commitment of our people. That's why we have such a strong commitment to developing and empowering our teams. We must make sure we can attract and retain the very best talent and we must create and nurture an environment and culture in which our staff can grow, thrive and reach their full potential.

Introduction

Board of Directors, Board of Statutory Auditors and External Auditors

Board of Directors (*)

Ranieri de Marchis	**Chairman**
Maria Cristina Molinari Heinz Laber	**Deputy Chairman**
Daniele Tonella	**CEO**
Pasquale De Martino Francesco Giordano Massimo Milanta Umberto Quilici Maria Grazia Scapinelli Remo Taricani Tiziano Varchetta Robert Zadrazil	**Directors**
Rita Izzo	**Board Secretary**

Board of Statutory Auditors

Roberto Bianco	**Chairman**
Franco Micheletti Francesca Muserra	**Standing Auditors**
Barbara Aloisi Marzio Duilio Rubagotti	**Alternate Auditors**

Danilo Augugliaro	**Deputy General Manager**

Deloitte & Touche S.p.A.	**External Auditors**

*As at January 2017.

UniCredit Business Integrated Solutions S.C.p.A.
Registered Office: Via Livio Cambi, 1 - 20151 Milan
Share capital: € 237,523,160.00, fully paid in
Owned by UniCredit Group
Banking Group Register: code 2008.1
Enrolled in the Companies Register of Milan, Tax Code and VAT n° 12086630154

CEO's message to the Shareholders

"We look forward to the next phase in the company's development. We aim for an enhanced reputation and renewed partnership with our clients based on transparency, stability and value, in line with the 5 Fundamental principles of the Group and in close coordination with the other functions of the company according to the "One Bank - One UniCredit" principle."

Dear Shareholders,

in FY2016 UniCredit Business Integrated Solutions vigorously pursued its path towards greater efficiency and quality of the services that support the Group's activities.

The current scenario shows a radical transformation of traditional business models and the need for more flexible, faster and "smarter" solutions to strengthen the range of products and services offered on the market and develop new digital services. As a result, the organizational model of UniCredit Business Integrated Solutions underwent a thorough review, which led to the creation of highly specialized competence centers over the year.

In order to facilitate the digitization process, innovative solutions were implemented also taking advantage of Big Data capabilities. In parallel, we paid even greater attention to testing the applicability of the Blockchain technology to banking products and processes, with special focus on scalability and security. More specifically, during the year the Company represented the Group in international workshops and consortia of banks engaged in defining standards, rules and frameworks of use for the Blockchain technology in various banking fields, including for example, that of international payments.

As regards the Gibson's program, designed to optimize the management of ICT infrastructure through Value Transformation Services - a subsidiary of IBM and an investee of UniCredit Business Integrated Solutions - we completed the over twenty projects envisaged in the Plan. This enabled us to significantly increase the standardization of systems and to introduce more accurate monitoring methods in Mainframe, Open & Storage, Network and iSeries environments, as well as to set up a Private Cloud environment that will lead to further significant developments in terms of services offered to customers.

In 2016, we has also contributed to the development of guidelines and to the new drawing of the Core Banking platform (DGSIG Program) for mature markets, the objective being the evolution of existing systems according to an open API incremental and modular approach.

Against this backdrop, we dedicated our efforts to reassess our internal skills and to promote a widespread digital culture, also through initiatives such as “Digital Today”, which involved 15 main locations, 800 districts in Italy and more than a thousand employees who presented the Bank’s innovative products and services to customers.

At year end, we successfully completed the three-year recruiting program designed to identify and select people with distinctive ICT skills at the international level, especially in Italy, Poland and Romania.

Finally, through the “Athena Program”, UniCredit Business Integrated Solutions undertook the completion of specific “decommissioning” projects, designed to streamline our ICT applications and environments in order to reduce overheads.

In the Real Estate area, we continued the optimization and transformation of Branches. The Mobile Branch - a small 6 sqm, movable branch - was developed further and now offers new features such as free Wi-Fi for the public and the external “digital signage”. In Croatia and Romania, given the satisfactory sales results, this service model has now been permanently adopted alongside the traditional branches.
The first buildings entirely implemented according to the Smart Working principles were completed in Verona, Belgrade and Iasi (Romania).

Finally, in December the Company completed the sale of its card payment processing business for Italy, Germany and Austria to SIA, for a price of €500 million. The transaction is in line with the Group's business plan announced in December 2016, aimed at strengthening and optimizing the Group's capital structure through strategic transactions and competitive advantages in order to seize opportunities and achieve long-term profitability.
Looking to the challenges that lie ahead, we will work with the Group towards the achievement of the objectives set out in the new "Transform 2019” Plan, with a constant sense of responsibility, transparency, and the commitment to continuously improve our operating model.

We look forward to the next phase in the company’s development. We aim for an enhanced reputation and renewed partnership with our clients based on transparency, stability and value, in line with the 5 Fundamental principles of the Group and in close coordination with the other functions of the company according to the “One Bank - One UniCredit” principle.

A goal we can only reach with the professionalism, experience, commitment and dedication of our people, who every day carry out their job passionately and skillfully, thereby significantly contributing to the success of our Group.

Daniele Tonella
CEO

Company Profile

The go-live of UniCredit Business Integrated Solutions, UniCredit global services company, took place on 1 January 2012.

Developed from the consolidation of the Group organizational units and companies involved, particularly in the delivery of Information and Communication Technology (ICT), Operations, Real Estate and Security and Procurement Services, UniCredit Business Integrated Solutions provides a quick, effective response to requests for services made both by Group companies and the market.

The Company organizes its business into operative divisions referred to as Business Lines and Service Lines, taking an end-to-end approach in order to guarantee the best possible quality of the service provided.

Services are laid out according to an international approach, to convey efficiency and economies of scale, whilst keeping a clear perspective also looking to specific local needs.

The focus on customers guarantees professionalism and competence, and also constitutes added value in the growth of its people.

Financial Highlights

Shareholders' equity
€ 332,921,446

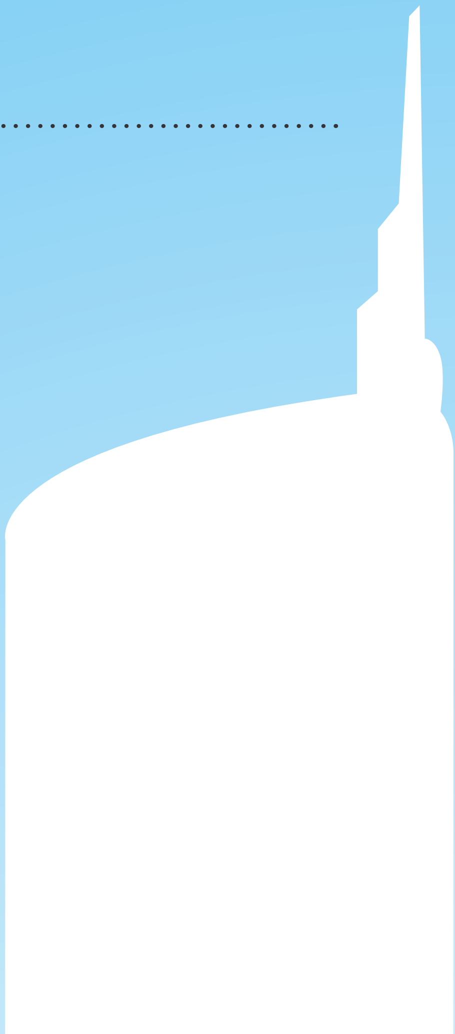
Production value
€ 2,707,265,760

Profit for the year
€ 2,572,182

9,531
EMPLOYEES

International Presence

Austria
Czech Republic
Germany
Hungary
Italy
New York
Poland
Romania
Singapore
Slovakia
UK

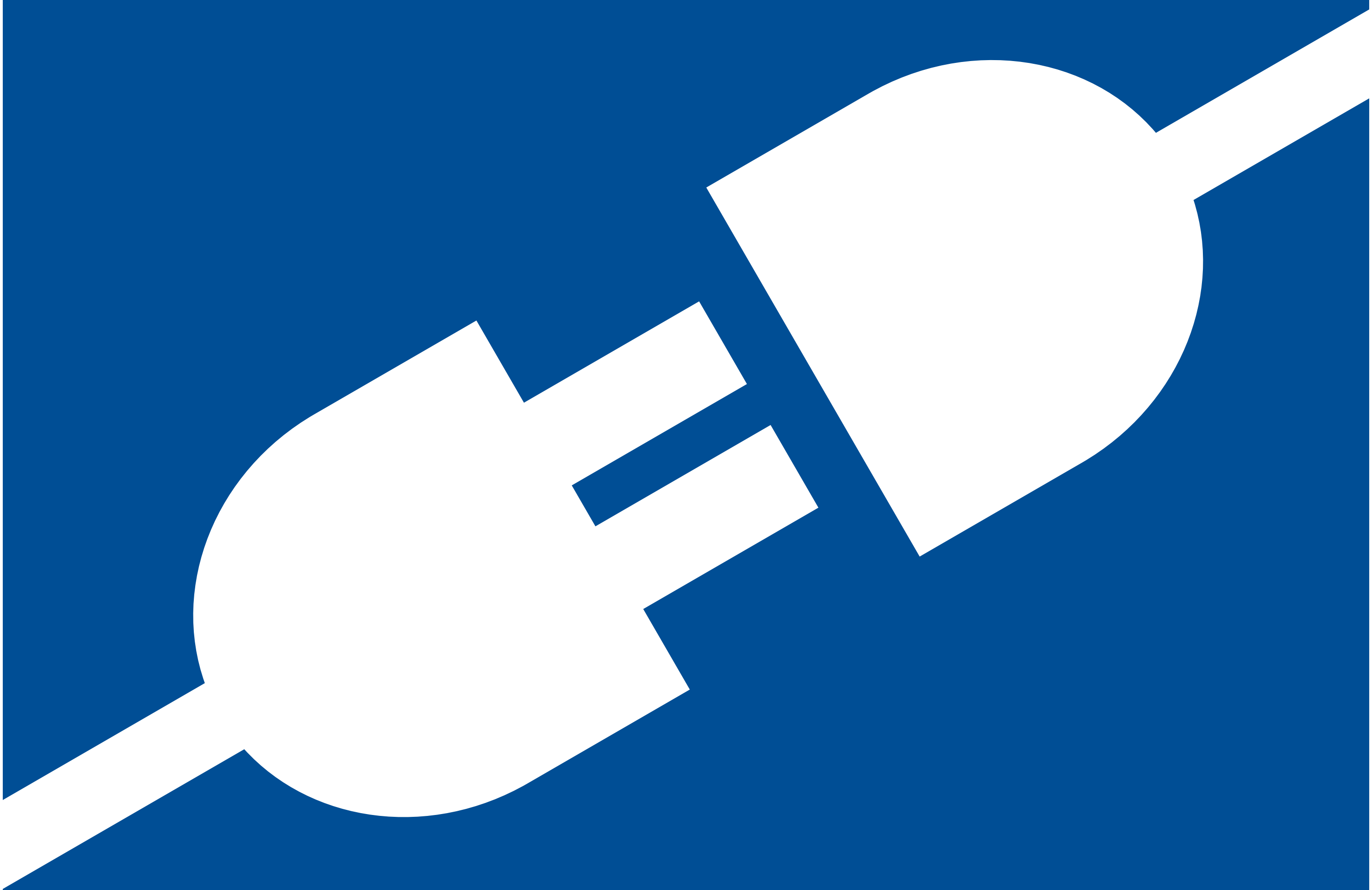


Subsidiaries

UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH
UNI IT S.R.L.
QUENIT CONSORTIUM (*)

(*) Investment sold to P4cards S.r.l. as part of the Link project.

Cooperation & Synergies



Our ability to cooperate and generate synergies across departments and geographies is what makes us unique and allows us to be “One Bank, One UniCredit”. We are a true pan-European bank and we work seamlessly across the Group.

Report on Operations

Overview of the year

Dear Shareholders,

in 2016 UniCredit Business Integrated Solutions continued implementing the strategy designed to rationalize its cost structure, in order to achieve structural reductions in the coming years; this approach positively contributed to the Group's results and the continuous improvement of relationships with customers Banks, based on increasing transparency and cooperation.

The year was marked by numerous events, corporate transactions and activities designed to further strengthen the company's balance sheet and income statement.

Overall, the costs under the direct governance of the company, excluding extraordinary items, were lower than the targets set at the beginning of the year, thanks to the constant management of production costs carried out by all the business and governance functions. This resulted in renewed efficiency offered to our Customer Banks, compared to the targets set at the beginning of the year, which positively contributed to their economic performance and to mitigate the difficulties in generating revenue, especially of a financial nature that still persisted in 2016.

The most important events that have characterized and marked the year are presented below.

- All4Quality Project Germany. In the early part of the year, the successful finalization and implementation of the merger by absorption of the German company UGBS GmbH (completion of the All4Quality project launched in 2011), with effect from April 1. Through this deal, worth 30 million euros paid to UniCredit AG (involving direct costs of approximately 80 million and 650 FTE), the company expanded its foreign presence with the two branches in New York and Singapore, as well as expanding through the branches in Germany, UK and Italy.
- New Business Plan up to 2019. In the second half of the year the Company contributed to the development of the new Group Business Plan, "Transform 2019", based on the concept of "One Bank, One UniCredit" through the implementation of five strategic pillars:
  – "Strengthen and Optimize Capital"
  – "Improve Asset Quality"
  – "Transform the Operating Model"
  – "Maximize Commercial Bank Value"
  – "Adopt lean but steering center"

  UniCredit Business Integrated Solutions Business Plan is strongly focused on curbing and rationalizing the cost structure (cumulative target as at 2019 -15%, CAGR-15-19 -4%). To achieve this goal the Company will put in place a wide range of initiatives in line with the strategy started in the previous Business Plan, albeit with some key activities, already identified, being further promoted and with new actions being undertaken. More specifically, UniCredit Business Integrated Solutions Plan includes:
  – an Operations Strategy based on centralization and nearshoring of back office activities and processes redesign;
  – an ICT strategy based on three pillars:
    - improving IT efficiency and strict management of investment demand (by increasing the productivity of internal capacity, digitization, insourcing of skills; reduction of running costs);
    - acceleration of the decommissioning program;
    - acceleration of the purchasing and contract renegotiation strategy.
  – a Real Estate strategy designed to optimize costs through acceleration of the Network reorganization, extension of the smart working model to the Headquarters and contract renegotiations.
- Disposal of the "Cards Factory" division (Link project). In June, the Board of Directors of UniCredit S.p.A. and UniCredit Business Integrated Solutions S.C.p.A. approved the transfer, through the special purpose vehicle (P4cards), to the company SIA S.p.A. of the "Cards processing" business managed by the Cards Product Line of UniCredit Business Integrated Solutions S.C.p.A. Italy and by UniCredit Business Integrated Solutions GmbH Austria, and the concurrent signing of a ten-year outsourcing contract for the provision by SIA of processing services, in order for UniCredit Business Integrated Solutions to continue offering its services to the Banks in Italy, Germany and Austria.
  During the month of December, the transaction was completed through the transfer of the division to the SPV P4cards in Italy and Austria and the sale of the stake to SIA S.p.A. The sale took place at a price of 500 million(of which 494.9 million to UniCredit Business Integrated Solutions S.C.p.A. and 5.1 million to UniCredit Business Integrated Solutions GmbH), with a net economic impact of about 440million(after the net financial position, working capital and taxation) and an impact on CET1 fully loaded of about 12 bps.
- Renegotiation of the outsourcing contract with V-TServices S.p.A. After about 3 years from the establishment of the partnership between UniCredit Business Integrated Solutions and IBM, which had led to the creation of Value Transformation Services S.p.A. (V-TServices), for the management of centralized and network ICT infrastructure, and a ten-year contract worth about 4 billion in turnover, the two Companies decided to address the renegotiation of the original contract in order to increase the creation of value and seize the new opportunities offered by technological developments. The renegotiation pursued the following main objectives:
  – review of baseline volumes, taking into account actual consumption, and price review for the services provided;
  – focus on new technological trends (e.g. adoption of Cloud

  solutions) and further optimization of IT infrastructure;
  - settlement of mutual outstanding complaints;
  - definition of an improved contractual governance designed to optimize control over the outsourcer.

The new contract was signed on December 23, 2016, and involves:
  - a 3-year extension with expiration on December 2026;
  - the opportunity to take advantage of new transformational programs every three years;
  - savings of 438 million over 10 years, or 9.4% of the baseline at current volumes, in addition to 15% savings achieved in 2013 through the old contract;
  - improved contract governance;
  - settlement of complaints and other issues related to "post contract verification".

- Write-off of technological assets (SW/HW). During the year, specific analyses of intangible and tangible assets recorded in the financial statements were started, which involved the relevant technical units of the Company. The analysis, with particular focus on internally developed software, was aimed at verifying the actual use and traceability of benefits relating to the IT applications in use. Following these analyses, we have identified assets to be divested for a total net book value of approximately €218.9 million.

The balance sheet at December 31, 2016, which is submitted for review and approval, shows a profit of € 2,572,182 compared with a production value of €2,707,265,760.

More information is provided in the Report on Operations and in the Notes.

Business Model and evolution of the Organizational Structure

During 2016, the organizational model of UniCredit Business Integrated Solutions was affected by significant changes mainly aimed at:
- strengthening its role as instrumental service provider within the Group, through the acquisition and subsequent integration of UniCredit Global Business Services (UGBS) GmbH, a company mainly active in Germany;
- further streamlining the organizational structure by eliminating intermediate organizational layers (team), mainly within the governance units;
- identifying competence centers on highly specialized activities to support the digital evolution of the Group.

The most significant changes that took place in 2016 were:

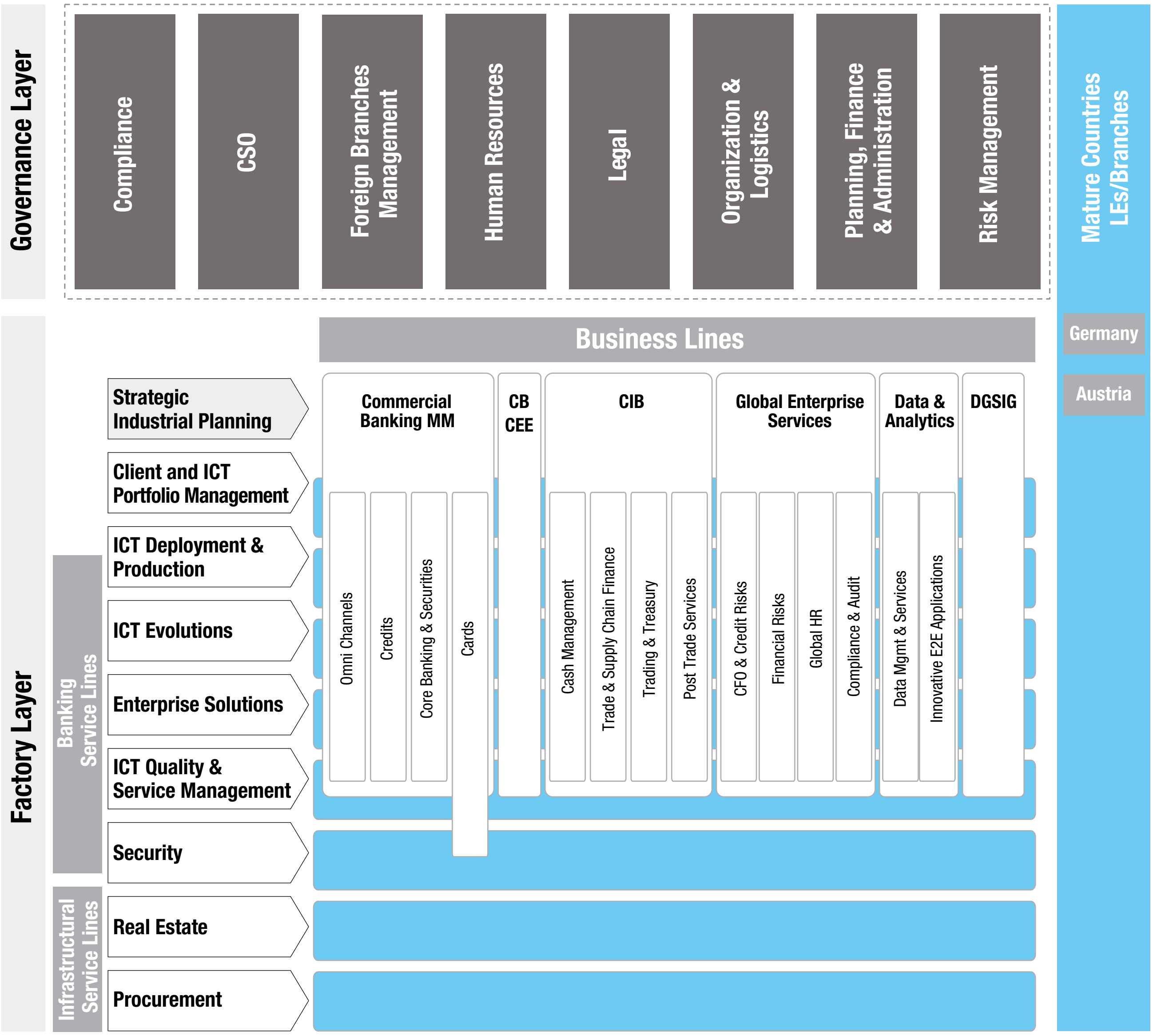
For the Banking Service Lines Management Division:
- reorganization of the entire Division, with the aim of aligning the organizational responsibilities to the ICT services value chain and to achieve economies of scale in monitoring the Division metrics, through:
  - consolidation of all governance activities previously included in the various Service Lines, with direct reporting to the Division Head;
  - reallocation of all activities related to the ICT Service Line and Client Support Service Line to the new Service Lines: ICT Deployment & Production, ICT Evolution, e ICT Quality and Service Management;
  - consolidation into a single Service line, called Enterprise Solutions Service Line, of process reengineering and tool development activities of UniCredit Business Integrated Solutions previously allocated to other organizational units;
- transfer of Outsourcing Management activities from the Banking Service Lines Strategic Industrial Planning unit to Organization & Logistics;
- transfer, in line with the model adopted by the Parent Company, of the internal control activities from the Operations Service Line to the Security Service Line.

For the Business Lines Management Division:
- setting up the Digital Core Banking Transformation unit directly reporting to the Division with the aim of coordinating, defining and implementing the transformation of the back-end component of the Core Banking EuroSIG system to support digital services;
- strengthening the single competence center for "Data Management" services provided both to the "Data Office" functions of the parent and to the Company Business Lines and Service Lines, through the transfer of the Datawarehouse activities to Data & Analytics;
- change of the Markets and F&A Business Line name into Corporate and Investment Banking (CIB) Business Line, following the transfer of the "Cash Management" and "Trade & Supply Chain Finance" activities from the Transactional Products Business Line;
- transfer of the "Cards" activities from the Transactional Products Business Line to the Commercial Banking Mature Markets Business Line and consequent closing of the Transactional Products Business Line;
- widening of the scope of activities of the Commercial Banking Mature Markets, CIB and Global Enterprise Services (GES) Business Lines following the integration of UGBS.

For the Infrastructural Service Lines Management Division:
- widening of the scope of activities of the Real Estate Service Line and the Procurement Service Line as a result of the transfer of UGBS activities.

For Governance functions:
- elimination of intermediate organizational layers (team) and consequent reallocation of resources to higher hierarchical units, in compliance with the new guidelines of the Group, in order to:
  - ensure greater organizational dynamism;
  - manage activities and human resources according a more flexible approach;
  - reduce the number of organizational changes and resulting operational activities;
- centralization, in Italy, of the communication activities falling within the Group COO scope into the Identity & Communications function of the Parent Company;
- centralization within the Risk Management Department of the hierarchical responsibility for Risk Management activities carried out in the foreign Branches.

UniCredit Business Integrated Solutions: Organizational model



Development strategy

Risk Management

UniCredit Business Integrated Solutions monitors and manages its risks through a model that complies with the law and with Parent Company rules. The model allows for the identification of responsibilities, methodologies, processes and effective instruments during all stages of the Company's economic and production cycles performed in Italy and abroad.

Risk control is assigned to the Risk Management function which, with units also in the branches abroad, performs its duties with the aim of preserving the value of assets and assuring the Company and its customers oversight for the identification, management and monitoring of – even potential – operational and reputational risks arising from IT, Operations, Real Estate and Procurement activities.

A Risk Committee, coordinated by the Risk Management function, has also been set up within the Company.

With regard to financial and liquidity risks, the Company is financed by the Group's banks; available liquidity is deposited with them in sight accounts in compliance with Group policy.
Credit and counterparty risk, essentially mercantile, is overseen and monitored with streamlined but effective processes.

To ensure the continuous and independent monitoring of risks to which the Company is exposed, Risk Management of the Company uses a regulatory framework that defines the rules, procedures and responsibilities of the various organizational units, with the aim to prevent, measure and control risks.

With regard to the activity performed, the Company has a robust model for operational risk management. With reference to IT activities in particular, the methodology used to identify risk is based on the analysis of multiple events that may potentially cause breaches of the parameters of integrity, confidentiality and availability of systems agreed with customers.
The application of this methodology required the definition and implementation of several new Key Risk Indicators (KRIs) designed both to verify the effectiveness of the controls in place and to monitor the development of risks, of mitigation actions and to verify the progress of the various risk management and reduction projects.
In the course of 2016, the KRI scope was consolidated and the number of KRIs was increased to reach 373 total indicators at year end; 20 Scenario Analysis were carried out for the quantification of major potential risks and the automatic process was consolidated for the qualitative assessment of the level of risk related to the development and implementation of each new project. For the most significant projects, the results of these analyses trigger specific Risk Assessments (RA) that analyze risks in detail and describe the mitigation actions identified. The RA final results are submitted to the approval of the project's stakeholders.

A structured reporting system, developed by the Risk Management function, ensures that the Senior Management, the internal control bodies, the Parent Company and internal customers receive timely information regarding exposure to operational risks and mitigating actions taken.

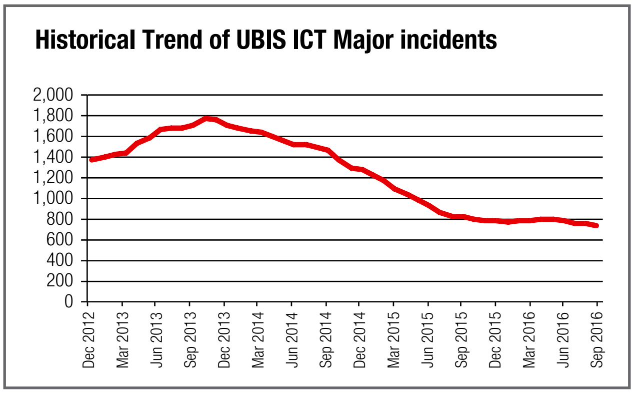
In accordance with Group guidelines and strategies yearly defined to strengthen the effectiveness of controls on operational risks and reduce the related losses, the Company has established a "Permanent Workgroup": the functions that play a monitoring role (Risk Management, Organization, CSO, Legal Compliance and Audit) meet periodically to identify the main areas of risk and define specific corrective or mitigation actions.

The Company uses the Advanced Measurement Approach (AMA) model to calculate the regulatory capital for operational risks. Compliance of the operational risk control and measurement system with external regulations and with Group standards is assessed annually through the internal validation process which is ensured by a specific Parent Company function and is subject to review by the Audit function. During year the system of operational risk management at UniCredit Business Integrated Solutions has been rated “Fully Adequate" with respect to regulatory requirements, improving previous results.

In line with prior years, direct operating losses in 2016 continued to be negligible.

The Company developed various information, training and discussion initiatives and fora in order to encourage a shared mindset with respect to risks and promote consistent behavior across all the staff at all organizational levels.
More specifically, in addition to the courses on web platform developed at European level (which are now part of the company training program for each employee at UniCredit Business Integrated Solutions), Risk Management released new contributions and tools

through the risk management section of the company intranet portal with the aim to increase the propensity to analyse corporate risks (current and future) and to foster an ever greater understanding, appreciation and integration of risk management activities in daily actions.
Alongside classroom training - also customized for specific business areas - the Risk Management function also participated in the "Professional Corner" project, which has been developed across the entire organization and which makes available to all colleagues workshops dedicated to specific subjects or business areas: this was a further opportunity for Risk Management to share expertise and information about risks and to directly exchange views with colleagues.
The link between Risk Management and the operational functions has been ensured by periodic meetings with the various Service and Business Lines. The set of actions undertaken helped strengthen the effectiveness of processes and the robustness of controls with consequent stable trend in ICT major incidents recorded at global level.



Human Resources

The part of the project to replace external providers with in-house personnel, whose skills are in line with the needs of the Company and its customers, scheduled for 2016, was completed on time and the predefined targets were achieved. This activity partly explains the increase in the number of employees compared to 2015 which, as mentioned, is reflected in a decrease in the use of external resources, who are obviously not included in the number of FTEs.
In addition, in order to complete the centralization of operational activities (back office, operations, HR, Real Estate and Procurement) that began with All4Quality, on April 1, 2016, the merger of UniCredit Global Banking Services AG into UniCredit business Integrated Solutions S.C.p.A. was completed, which resulted in the increase of resources in Germany and the establishment of the Singapore and New York branches, previously part of UniCredit Global Banking Services AG.
In line with organizational review plans, an intensive skill gap analysis was carried out, and training activities were organized accordingly. Geographical diversification, according to a logic of Global Competence Center and Global Hub, has been and will continue to be an important driver of organizational efficiency and cost management.
There is constant focus on the themes of Inclusion and Diversity, which are addressed both through specific initiatives and through participation in programs promoted by the Parent Company.

UniCredit Business Integrated Solutions S.C.p.A.

At December 31, 2016 UniCredit Business Integrated Solutions S.C.p.A. had 9,531 employees, including 4,311 in Italy, 2,306 in Germany, 1,575 in Romania, 176 in Hungary, 501 in Poland, 356 in the Czech Republic, 105 in Slovakia and 115 in Great Britain, 42 in Singapore and 44 in New York.
The overall change of 828 employees for UniCredit Business Integrated Solutions S.C.p.A. compared with the previous year is summarized in the following table:

Human resources at 31.12.2015	8,703
Joined	791
Transferred from other Group Companies	723
Left	-686
Human resources at 31.12.2016	9,531

The increases primarily took place in Central and Eastern European countries: Romania (+241), Poland (+43), while the increases in Germany (+455) and the United Kingdom (+28) are due to the aforementioned merger of UniCredit Global Banking Services AG into UniCredit Business Integrated Solutions S.C.p.A..
The total number of employees at the end of the year included 149 people seconded to other Group companies and excluded 89 employees seconded to UniCredit Business Integrated Solutions S.C.p.A. from other UniCredit companies.

Development strategy (Continued)

Human Resources (Continued)

In addition, as a result of the ongoing integration and industrialization process on an international level, there were 16 expatriates in Italy and 32 expatriates abroad.
Women accounted for 46%of the total. At the end of the year, 1,252 employees had a part-time contract.

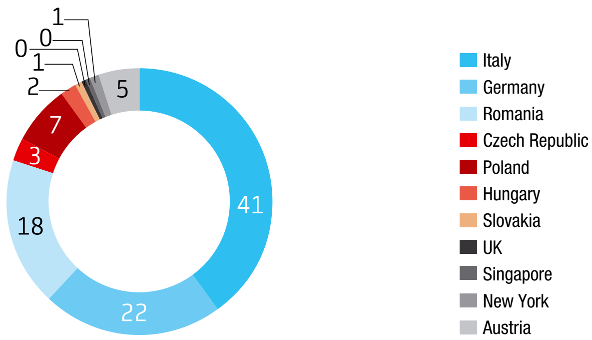
UniCredit Business Integrated Solutions GmbH

Employees in the Legal Entity UniCredit Business Integrated Solutions GmbH at December 31, 2016 amounted to 1,119, of whom 477 in Austria, 252 in Poland and 390 in Romania.
The overall change of 161 resources for UniCredit Business Integrated Solutions Austria GmbH compared with the previous year is summarized in the following table:

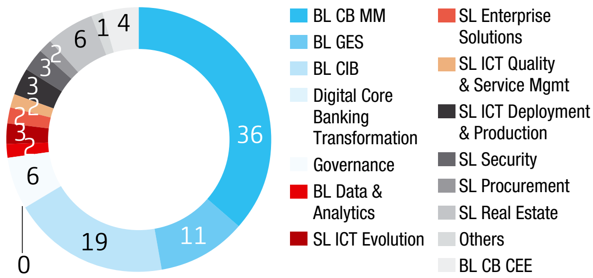
Human resources at 31.12.2015	958
Joined	315
Transferred from other Group Companies	-9
Left	-145
Human resources at 31.12.2016	1,119

Increases in Romania (+110) and in Austria (+82), aimed at constantly strengthening the ICT component, were partially balanced by a reduction in Poland (-31).
The total number of employees at the end of the year included 9 people seconded to other Group companies and excluded 883 employees seconded to UniCredit Business Integrated Solutions Austria GmbH from other Group companies.
Women accounted for 64% of the total. At the end of the year, there were also 175 resources with part-time contracts.

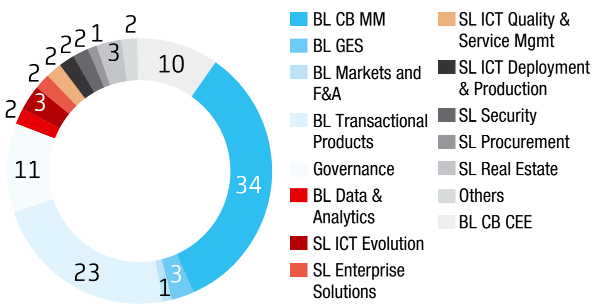
Employee geographical breakdown S.C.p.A. and GmbH (%)



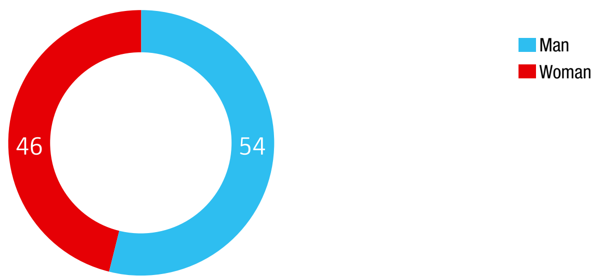
Employee breakdown by business area UniCredit Business Integrated Solutions S.C.p.A. (%)



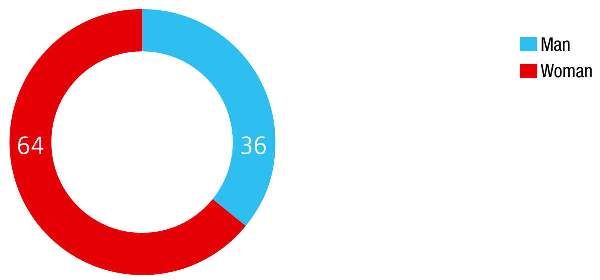
Employee breakdown by business area UniCredit Business Integrated Solutions GmbH (%)



Employee breakdown by gender UniCredit Business Integrated Solutions S.C.p.A. (%)

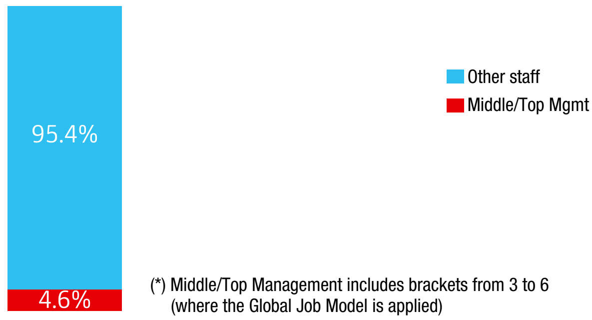


Employee breakdown by gender UniCredit Business Integrated Solutions GmbH (%)



Employee breakdown Italy/Abroad S.C.p.A. and GmbH

Employee breakdown by category S.C.p.A. and GmbH



(*) Middle/Top Management includes brackets from 3 to 6 (where the Global Job Model is applied)

Training

In 2016 the range of courses offered to employees of UniCredit Business Integrated Solutions was expanded. In the last year the Company began including new educational opportunities that take advantage of the potential offered by digital channels.

The total number of people involved in development initiatives increased (+ 16%) while the decline in the total number of hours (-15%) is specifically attributable to two elements:

- As per Plan, the recruiting program involved a reduction of new hires in the Company, with simultaneous decline in training needs (from 14,789 to 7,129 on the job training days for a population of about 300 people both in 2015 and in 2016);
- The review, which is still ongoing, of the Group training offering on conduct and language related subjects required a smaller number of classrooms.

Training activities also continued with regard to:

- "key" professional roles such as the Project Manager. Through the "PM Evolution" program 274 PM received a total of 6,560 training hours;
- trainees, with training plans developing over 3-4 years after their hiring. In 2016 about 6,450 hours of training were dedicated to this group of people.

The training was partly delivered using the Company's in-house resources, for a total of 12,649 hours.

New training products were introduced, to be delivered mainly through online courses. In this respect, we note the following:

- start of pilot projects to measure the effectiveness of some external online training platforms(for example, Safari Books Online - 100 people, 1,217 training hours);
- development, in partnership with leading external providers, of dedicated and methodologically innovative content, such as the “gamification”-based English course (440 people involved);

Development strategy (Continued)

Human Resources (Continued)

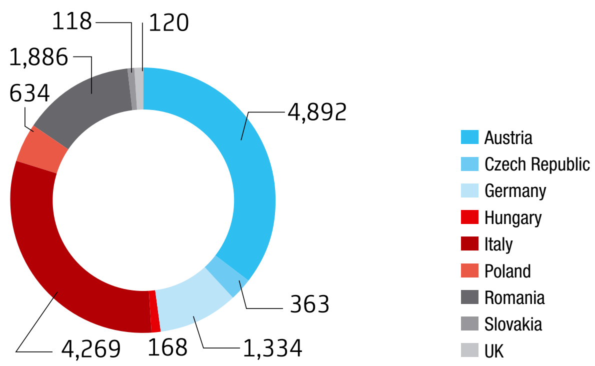
- identification, within the new onboarding program for new hires launched in September, of e-learning solutions related to four key competencies: Problem solving, feedback culture, teamwork in remote mode, effective communication.

Investments were also made in managerial training aimed at supporting and developing leadership skills.
More specifically, the first edition of a training program for managers was organized, designed to improve the ability to assign and assess clear and effective objectives. Ten managers attended the first (pilot) edition of this course. The training framework has been designed according to a highly "practical" approach, while being innovative in terms of delivery methods.

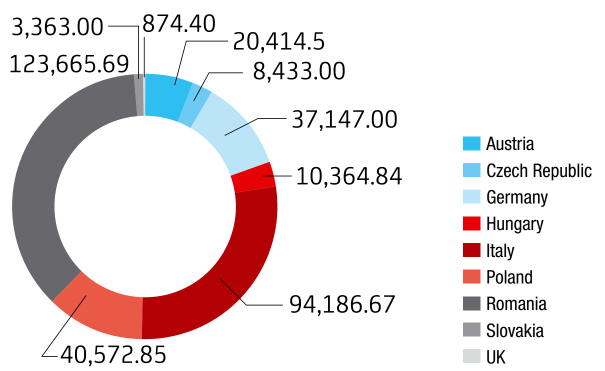
The company also continued to invest on talent development, both through the design of individual development plans and through mentoring from senior managers from business lines other than that of the talent.

The Company launched the second IT Master edition, further improved on the basis of feedback collected in the previous edition. The objective of this program, designed in partnership with leading academic institutions, is to support the integration of IT and Operations areas, by fostering the sharing of different skills and knowledge, while simultaneously offering opportunities to acquire new market knowledge and insight.

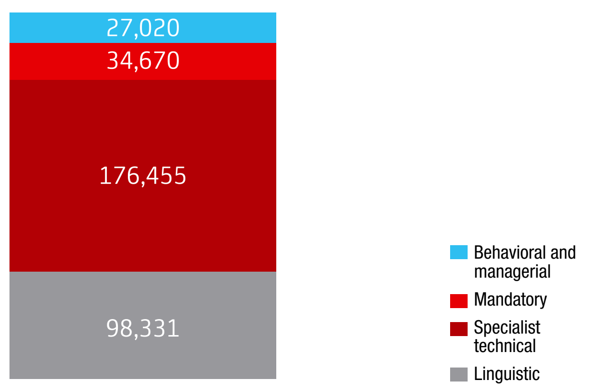
Number of people trained per country (including mandatory)



Hours of training provided by type (including mandatory)



Hours of training provided by type (including mandatory)



Summary training data for 2016 (including mandatory)

Number of people participating in training programs*	89,606.00
Total number of people trained	13,784.00
Number of training hours delivered in 2016 in UniCredit Business Integrated Solutions:	336,475.45
HC UniCredit Business Integrated Solutions as at 31/11/2016:	10,465.00
Average hours per capita (total training hours / HC as at 31/12):	32.15

* of which 53,045 are related to mandatory training.

Customer Services

Business Line

The provision of services is organized by Business Lines using an end-to-end service model that provides for single points of reference; these act as a fulcrum and can improve relationship effectiveness and operational efficiency.

The main responsibilities shared by the Business Lines are:

- management of demand and customer relations as well as production planning and staffing in collaboration with the Strategic Industrial Planning functions;
- monitoring, in collaboration with the Strategic Industrial Planning functions, of production capacity, performance and service quality (Service Level Agreement), including by defining specific indicators;
- provision of end-to-end services and international projects, ensuring they are constantly in line with agreed service levels and guaranteeing that current SLAs are respected, that the new requirements are absorbed and that new or changed services and SLAs are developed to coincide with the needs and expectations of the business in terms of levels of functionality, integration and reliability at competitive costs;
- assurance of the quality and safety of products/services provided in compliance with internal/external rules as well as with standards required by the market;
- service development;
- implementation of service innovation;
- definition, development and maintenance of all application solutions within the Business Line;
- management of operational processes related to relevant services;
- management and evaluation of the performance of Business Line resources;
- development of the "vertical" skills of the Business Lines;
- responsibility for the budget of the demand generated by customers;
- assurance of compliance with the guidelines set by the Service Lines for the services provided.

Responsible for coordination of all activities of the units under its responsibility, the Business Lines Management performs the following tasks:

- supervising the management of the Strategic Industrial Planning and Client and ICT Portfolio Management Business Lines, acting within conferred responsibilities and powers;
- preparation of the budget for the year and development of long-term plans for the areas under its responsibility, providing lower levels with the relevant management guidance and verifying their correct implementation;
- identification of technical, commercial, business continuity and management strategies and preparation of operational programs and projects aimed at improved performance of services by the Business Lines and other structures under its responsibility.

Client and ICT Portfolio Management

The Client and ICT Portfolio Management Department supports the Business Lines Management unit by coordinating the activities shared by the various Business Lines, including with regard to the Group's strategic initiatives.
Specifically, Client and ICT Portfolio Management manages the portfolio of ICT projects in order to ensure their effective and efficient use, both in terms of economic targets and in terms of capacity.
In addition, the Department manages: contracts, the catalog of the Company services and standard reporting to customers.
Finally, the unit is involved in customer relationships management by supporting the coordination of the Business Lines, Service Lines and of the Country Business Relationship Managers Italy Unit.

The unit involves:

- ICT Demand and Portfolio Management: It provides the overall vision of the "Change" portfolio of ICT projects across all customers (captive and non-captive), as well as for the entire perimeter of UniCredit Business Integrated Solutions. In 2016, a total of more than 2,100 projects were managed.
  The unit ensures coordination of the decision-making process by checking the consistency of the ICT project portfolio and by providing appropriate and adequate reporting to the Corporate Management, on a monthly basis, through the Project & Service Committee.
  The ICT Demand and Portfolio Management unit is also responsible for the Athena program with the aim of reducing IT structural costs. This goal is pursued, on the one hand, by implementing dedicated decommissioning initiatives and, on the other hand, by promoting the principles of effective and efficient management with a view to streamlining ICT applications and environments. In 2016 the program far exceeded its expected targets.
- Contract Management and Reporting, broken down as follows:
  The Contract Management department administers a common service catalog for customers that is used as a basis for contractual agreements, for reporting activities and for managing the pricing of services provided to customers. In addition, Contract Management prepares and manages the technical annexes to the contracts related to the services provided. In 2016, a new catalog was distributed to all customers with the goal of harmonizing the taxonomy and to enable comparative analyses between countries and legal entities.
  The Reporting function manages and distributes information and reporting to customers, consistent with the services rendered. In 2016, a new digital application called Availability Data Aggregation (ADA) was developed with the aim of increasing quality transparency.

Customer Services (Segue)

Business Line (Continued)

- Country Business Relationship Managers Italy: It is the contractual and relationship interface for customers in Italy. In this respect, the unit satisfies contractually-defined needs and supports the entire process of customer relationship management, both in terms of communication and of coordination with the internal reference units.

With reference to extraordinary transactions undertaken by the Group as part of its strategic plan, in 2016 the Client and ICT Portfolio Management Department managed planned activities in coordination with the Group functions, with regard to areas under the responsibility of UniCredit Business Integrated Solutions. As an example, the major projects involving the Company were the disposals of the shares in Pekao and Pioneer, finalized in December 2016.

With reference to the governance function, the Client and ICT Portfolio Management Department continues to strengthen the relationships management model focusing on harmonizing customer relationship management activities in all Business Lines and Service Lines. In this respect, the following main initiatives were implemented in 2016:
- standardization of the Business Relationship Manager role;
- consolidation of the Coverage Map unit;
- creation of a new performance appraisal unit and harmonization of targets;
- definition of professional development;
- implementation of the Client Relationship Management Tool.

Commercial Banking Mature Markets Business Line

The Commercial Banking Mature Markets Business Line assures customers of UniCredit Business Integrated Solutions the provision of end-to-end global services within the Core Banking, Credits and Securities areas. It integrates and manages application solutions (ICT) and related back office components (Operations), acting as a single point of access for all Commercial Banking customers of "mature" Countries.

Within Core Banking, it provides services for current accounts, term deposits and savings, as well as activities for the management of: General Registry, Internet and Mobile Banking, Legal and Tax Investigations, Public Administration Treasury Management (in Italy), CRM and Business Intelligence.

In relation to Credits, the Business Line provides end-to-end services, from origination to post-sale, from monitoring to soft collection, from work out to the management of liquidity funding operations, credit products and Guarantees.

In the Securities area, it ensures the negotiation of financial instruments (orders, clearing and settlements, as well as support services), the management of all events related to their life cycle (securities deposit and custody) and specific taxation. It also offers fund management services for asset management companies.

During 2016, the Business Line developed and implemented the computer system of Cordusio SIM, the UniCredit Group company dedicated to Wealth Management to provide investment management and advisory services to customers with financial assets of over 5 million euros.

Under the program called Digital Credit Revolution, which, through a multi-channel approach, envisages a full review of the models for delivery of all credit products to retail customers and small and medium enterprises (SMEs), consumer credit and current account loans were totally renewed.

In addition, during 2016, the Business Line worked with the parent company in the development of new surety products for retail customers and of the innovative Easy Credit Express, the personal loan for UniCredit customers that can be directly requested via the App.

In the Multichannel area, the unit worked to extend the use of hybrid Mobile APPs to Germany (available from all smartphones), as already provided to Italian customers.
In Italy, the developments in the mobile sector mainly concerned the digitization of processes for the enabling and opening of current accounts, in order for customers to be able to interact with the Bank through their smartphone.

Similar initiatives were also carried out in the internet banking channel: through the "Document exchange" between manager and customer using digital channels.

In 2016, the budget invested for new IT projects (over 500) exceeded 190 million euros. The newly implemented solutions have allowed us to consolidate the cost structure, achieving sustainability and efficiency, thus contributing to the growth of the divisions of the Bank benefiting from the services.

In 2017 one of the main challenges facing the Business Line will be to complete the transformation process started with the creation of the new global Internet & Mobile Platform (GIMB).
In addition, the Business Line will play a key role in the transformation and modernization of the Core Banking system, through the upgrading of existing technologies and applications with highly automated procedures that are scalable in terms of performance and cost.

Commercial Banking CEE Business Line

The CEE Commercial Banking Business Line ensures the provision of end-to-end solutions and ICT platforms to the countries of Central and Eastern Europe, also ensuring support to business and management processes in terms of updating, functionality, level of integration and reliability. It acts as a single point of reference for all requests from CEE countries, by providing Commercial Banking ICT and Operations services directly to customers and engaging the various Business and Service Lines for additional services.

The Commercial Banking CEE Business Line performs the following duties:

- definition, development, implementation and maintenance of application solutions;
- planning and coordination of project activities as a whole, with direct responsibility for costs, timing and quality of finished products and timely reporting to the senior management;
- formulating technical and economic feasibility studies in relation to user needs;
- verification and control of investments;
- creating business opportunities.

The CEE Commercial Banking Business Line actively collaborates, as from the strategy definition stage, with all IT departments of CEE Banks, which constantly monitor the Company in terms of cost and capacity to provide services in accordance with predetermined timing and quality levels.
In line with the Multi-year Plan of the CEE Division, the Business Line continued the major projects started in previous years.
These include the definition of the roll out plan of the CEE2020 program started in 2014 and the definition of the investment and implementation plan of the new CEE2020 Plus program, aimed at acquiring new market shares, increasing competitiveness and shortening time to market.

The main initiatives of the CEE2020 Plus program include:

- Retail Partnerships: acquisition of new clients in partnership with retail operators;
- “One CIB” for multi-country clients: implementation of a distinctive and effective service model at global level;
- Big Data – CIB: development of a customized solution using the Big Data analysis/ prototype algorithms approach;
- Big Data – Retail: implementation of a data management architecture based on Big Data;
- Web Cluster: implementation of new Mobile Banking, Internet Banking and Public Web Site channels on a common architecture that can ensure a unique user experience and fully digital operational and commercial processes;
- Unified Front End: implementation of an integrated front-end solution for the branch, incorporating native functionalities and existing applications (e.g. CRM, Lending UW solutions) in order for relationship managers to speed up customer management operations.

Following the technical and economic feasibility study carried out in 2014, the MACH project is ongoing, which provides for the migration of UniCredit Czech Republic Bank from the current EuroSIG core banking platform to the EzyCore platform.
Finally, a system was implemented for monitoring service quality on the basis of dashboards, which are processed daily, weekly and monthly and are sent by email to all users (CEE Quality Cockpit, CEE Quality Weekly Dashboard and CEE Quality Monthly Dashboard).

Corporate & Investment Banking Business Line

The Corporate & Investment Banking Business Line is a global provider of end-to-end services for the Corporate and Investment Banking business: Markets, F&A, Treasury, Cash Management and Trade & Supply Chain Finance.
The Markets, F&A and Treasury business areas are supported by the Trading & Treasury and Post Trade Services Product Lines, which manage application and infrastructure solutions and Operations activities in an integrated manner. The Cash Management and Trade & Supply Chain Finance business areas are supported by the two same-name Product Lines, which manage application solutions and the related Operations.

As regards the Trading & Treasury service, the Production Line designs, defines and manages the trading and treasury application platforms, covering rates, loans, FX, shares, commodities and treasury as well as market access components. Within the Treasury area, the Middle Office, Back Office and Sectional Accounting functions are also covered. The Product Line also manages the ICT architecture for the entire process chain and promotes the development of integrated services in support of business strategy.

Within the Post Trade Services, the Production Line provides both global and country-specific sales support services to the Corporate and Investment Banking (CIB) Division covering forex and money market products, derivatives, bonds and structured finance. The main activities concern the transaction settlements for CIB international clients, IT solutions for market intelligence, analytical CRM, P&L calculation and the management of Operations, Middle Office and Accounting for the Markets area.

In relation to Cash Management services, the Production Line ensures that payments are made, offering local (domestic) and global

Customer Services (Segue)

Business Line (Continued)

(SEPA, financial institutions) solutions based on platforms, paying close attention to quality, efficiency and risk control; it also provides Corporate Banking services to the Bank's corporate customers and to central and local public administrations.

Through the Trade & Supply Production Line, it ensures the delivery of solutions that help customers support small and medium enterprises (SMEs) for all the financing needs of the supply chain, with specific reference to documentary credits, goods financing and invoicing data management.

Following completion of the All4Quality program in April 2016, the Business Line has a geographical presence in 10 countries (Germany, Italy, Poland, Romania, United Kingdom, New York, Singapore, Austria, Czech Republic and Slovakia) and is a management unit that cuts across the Companies (UniCredit Business Integrated Solutions S.C.p.A and UniCredit Business Integrated Solutions Austria GmbH).

During 2016, the Business Line supported CIB strategic programs with regard to both the development of new technology platforms (e.g. ExCEED, the new platform for the internalization of forex flows within the CEE area), in order to expand market shares in specific areas and offer solutions in line with the main competitors, and to further expand the geographical presence of the Business through the opening of IT and Operations services in new locations (e.g. Abu Dhabi).
Simultaneously, the Business Line launched a series of feasibility studies to investigate new opportunities offered by digital technologies; to this end, it participated proactively in various interbank consortia (R3-DLG, Ripple, Ethereum) and launched initiatives within the organizational unit for the identification and development of ideas directly generated by the Business Line.
In particular, a pilot project has already been successfully completed to manage confirmations of FX trades using the Blockchain technology.

With regard to Trading & Treasury activities, the major initiatives continued to be pursued for the planned implementation of Front Office platforms. The launch of the multi-year program ExCEED attracted significant attention; it is the first case of joint development between UniCredit Business Integrated Solutions and Group CIO for the development of a new internalization platform of forex flows within the CEE area: the program made use of the best technologies available on the market in order to create a scalable platform that can help promote new business opportunities. Specifically, for the Markets area in Italy, the program was continued for an extension of the EuroMIB platform to UniCredit S.p.A., with focus on the Corporate Business (mainly forex, commodities and liquidity/investment products).

An innovative market making program for the Fixed Income area was launched in the wake of the Market Making platform for derivatives, aimed at increasing UniCredit's presence and at playing a key role in this area. Programs were also launched to extend the Brokerage target platform (for example ULLINK) to UniCredit Bank Austria, in order to optimize existing applications, and activities were started for the adaptation of the entire platform to MIFID II regulations.
In the field of infrastructure, the architecture optimization and stabilization activities for Business support continued, as well as support to activities for the development of big data architectures, for the UniCredit Group, and Cloud architectures, for the Markets platforms.

As part of the Post Trade Services Production Line, implementation of the development program for the new Middle Office global platform continued, with the aim of rationalizing the application architecture and the related processes, as well as the release of new CRM platforms to support Business Sales. The Production Line supported the development of the foreign branches within CIB, both by starting the activities for the extension of the platform to the new Abu Dhabi branch, and by continuing the release program of the new Bank Fusion platform for the management of Back Office and Accounting banking services of the foreign branches in Asia; other releases are planned for the branch offices in New York, Paris and Athens.

In the Cash Management area, the project for the development of the Global Payment platform for the group's three main banks continued (Austria, Italy, Germany); the projects for the new eBanking platform and the new Corporate Portal also continued. The Global Swift program was launched, aimed at the consolidation of the Swift infrastructure for Italy, Germany, Austria and the UK; the PSD2 project was also launched, aimed at taking advantage of new business opportunities arising from the new regulation.

In the Trade & Supply Chain Finance area, the program for the development of a global portal for Trade Finance services targeted to corporate customers was launched. The portal will be integrated with the new Corporate Portal and with the Trade Finance back end systems of the main banks of the Group. The MySupply program, also launched this year, aims to create a single access point for the Group's strategic customers enabling access to the services offered within the Supply Chain Finance, which are also based on the new group global platform planned for Italy, Austria and the Group's banks within the CEE area.

In 2017, the CIB Business Line will be engaged in the continued implementation of the ExCEED, Italy Markets, Fixed Income Market Making, Global Middle Office, Securities Lending, Global Payments Platform, Corporate Portal, Global Swift, Trade Finance Front End, Supply Chain Finance programs, in finalizing the activities undertaken pursuant to MIFID II and in completing the consolidation of platforms for the management of Back Office and Accounting banking services of the foreign branches.

In addition, activities will be started in relation to the new solution for the management of the "Dynamic Best Execution" for the Brokerage business, as well as Machine Learning solutions in the Market Making area and Digital Advisory solutions for non-listed products. Within F&A, the Business Line will support the further development of the LoanIQ target platform, especially in Italy and Germany.
Finally, as regards infrastructure, the extension of the Cloud architecture for the Markets platform will be continued and the set up and transfer of the Trading Room in Monaco of Bavaria, from the Arabella office to that of Am TuckerPark, will be supported.

Global Enterprise Services Business Line

The Global Enterprise Services Business Line guarantees the global supply of end-to-end services related to the Planning, Finance & Administration and Human Resources Competence Lines and offers IT platforms to support the Risk Management Competence Line. The Unit also coordinates all requests within Compliance.

As regards the CFO area, the Business Line provides both Operations services and manages IT applications required for: accounting, financial statements, compulsory reporting, planning and control, Credit Treasury, Liquidity/Asset Liability Management, and Tax & Procurement processes; it also ensures the production and sending of compulsory data flows to the Supervisory Authorities.

As regards CRO services, IT application solutions are guaranteed for processes relating to risk management.

The Business Line directly or indirectly provides Operations services and IT solutions to the HR Competence Line.

Finally, the Unit manages requests form the Compliance Competence Line through the direct delivery of IT services (e.g. relating to anti-money laundering platforms) and monitors the activities requested to other Business lines.

During 2016, the GES Business Line was involved in an internal reorganization, in order to encourage more effective cooperation in the management of regulatory issues shared by Finance and Risk. As part of a strengthening of this strategy, the new Finance & Credit Risk Product Line was set up to further promote alignment and synergies between CFO and Risk in terms of Data Management Reporting and Applications. Given its specificities, the management of market risk was instead kept separate in the Financial Risk Product Line.

Finally, all responsibilities for the management and strategy of Data were centralized in a single newly established Business Line, Data & Analytics, which has become the natural counterpart of the GDO function of the Bank, and to which GES has transferred responsibility for some its assets (Data Base, Core DWH)

In 2016 the Global Enterprise Services Business Line managed a significant project portfolio, albeit with a declining trend compared to previous years (about 400 projects for a total of 142 million euros vs. 158 million euros in 2015 and 175 million euros in 2014).

The most important projects of the year include:
- in the Credit Risk area, AnaCredit, a project launched by the European Central Bank to make available a centralized and granular data repository on credit and on credit risk. This data repository will address the need to strengthen the ECB supervisory and management role over risk and financial stabilization policies. The program, launched this year, will continue until 2018;
- in the Accounting area, the Business Line was significantly involved in the EBA and IFRS long-term programs. As regards the IFRS, this year the activities were especially focused on the Classification & Measurement (C&M) and Loan Loss Provision (LLP) streams, and will continue in 2017. Again in this area, the Separate Financial Statements application (SQUARE) was migrated to the new "LIBRA" platform;
- as part of the constant attention paid to Liquidity issues, developments and releases into production continued during the year within the following programs:
  - FinanceMIS: single support system for collecting and processing data to analyze liquidity and interest rate risk by the CRO/CFO units;
  - ALM: designing a Group system that implements a centralized process, based on local databases, for the measurement and management of IRRBB (Interest Rate Risk in the Banking Book), using a tool that supports standard processes and simulations designed to estimate the impact of alternative scenarios (e.g. EBA Stress Tests).
- in the Financial Risk area, the legislation introduced by the Basel Committee (Financial Review of the Trading Book - FRTB) provides for an extensive review of the methodology and reporting within the Market Risk area, and the resulting implementations are the focus of the GES Business Line in this area. The minimum mandatory component for banks is satisfied by the development of the new Standard Method (SBA), which was implemented during the year. The program will continue in the 2017-2019 period with the implementation of the “Internal Model Approach”(IMA), aimed at the recognition of a reduction in risk capital;
- Compliance: the dedicated projects related to the implementation of the new integrated platform to cover the Correspondent Bank Risk were launched, with completion of the releases for HVB and UniCredit Bank Austria, as well as those related to the new

Customer Services (Segue)

Business Line (Continued)

Market Abuse prescriptions (finalized in the new Global MAR target platform). In the CRS program, tools and reporting were developed for complying with requests from the tax authorities concerning the identification and exchange of information among countries with regard to foreign residents. Finally, several actions were undertaken to implement the Remediation Plan of the ALBA program, in order to provide the required data to the relevant Authorities (for example, SWIFT transaction screening, management of information on Intermediate Shareholding within the Repository);
- HR: within HR, the most significant project was the migration of procedures to the SAP platform (go-live in October) as defined in the Newton-HR Transformation program. Of note was also the development of the new Job Market Process, implemented using the e-recruiting web platform for the acquisition of information on interesting candidates and for greater efficiency and ease of data acquisition and processing;
- finally, the GES Business Line was involved in the transfer of the CEE Division of Bank Austria to UniCredit S.p.A, coordinating all of UniCredit Business Integrated Solutions activities.

Data & Analytics Business Line

The Data & Analytics Business Line ensures the global supply of ICT services designed to manage the data lifecycle and the related analytics and to enable the use of "Big Data", "Data Warehouse", "Specialized Data Platforms" and "Cognitive Computing" application solutions, providing new ways to process and manage information for Group clients and for the Company Business Lines and Service Lines.

Developed in a context of exponential growth of data generation (it is estimated that 90% of worldwide data has been created in the last two years and 80% of these are unstructured), Data & Analytics (D&A) addressed the need to transform data into information through an industrialized approach, generating a competitive advantage for the Group and its customers.
D&A provides ICT services designed to implement solutions in the Data Processing and Data Products sector as well as Data Science techniques, such as Advanced Analytics and Machine Learning techniques used in the applications and services provided.
D&A supports the Group Data management strategy defined by the Group Data Officer (GDO) and provides skills, tools and technology solutions for Data Integration, Data Modeling, Metadata Management, Data Quality, Data Profiling, Business Glossary, Information Policy Management, Master Data Management, Reference Data Management, Analytics & Reporting, Datawarehouses & Data Marts, Hadoop and NoSQL, Stream Computing, Text Analytics, Data Security and Privacy.

In 2016, the Business Line managed an overall project portfolio amounting to approximately €22 million, doubling the volume of 2015 (€11 million).

In 2016, the Business Line embarked on a significant growth path going from 58 FTE to about 200 FTE in 5 countries (Italy, Romania, Hungary, Austria and Germany).
This growth was based on a recruitment plan and the centralization of activities previously included in the Global Enterprise Services, Commercial Banking and Global Markets Business Lines and related to the management of Datawarehouses and Business Intelligence and Reporting applications.

This development was accompanied by a reorganization formalized on 01/11/2016, which allocated activities and responsibilities to the two industrial lines with specific and distinct roles:
- Innovative End-to-End Applications: is responsible for implementing application solutions on Big Data technology framework and for managing the design, development and evolution of methods and algorithms of advanced analytics, data science, machine learning and cognitive computing, used in the applications and services provided by the unit;
- Data Management & Services: is responsible for managing data and information (both structured and unstructured) ranging from business specifications to the logical and physical design, and for the development of Data Architecture within the Business Lines, by facilitating interactions with the various functions responsible for Data and the Parent Company. Supports the introduction - in accordance with the Parent Company guidelines - of Data Governance strategies and their industrial management; designs, implements and manages the modeling of Data and Data Quality activities based on business and design needs, according to the most stringent legislative and regulatory guidelines.

In analogy with the other Business Lines, the activity is supported by a PP&M unit and a Demand unit as well as by a specific "Change Data & Analytics" area that coordinates the project activities of the Business Line, as from the demand stage to the post go live, and supports "Innovative E2E Applications" and "Data Management & services" in the exploration of new use cases based on Data & Analytics services and designed to broaden and strengthen the services offered by the Group.

The strategic objective of the Business Line is to create an Enterprise Data Hub with a Data Governance platform, by providing:
- new generation CRM both in the Corporate and the Retail segments;
- new technological and digital products as opportunity for development of the Data Monetization concept;

- ability to manage the entire data lifecycle and data accuracy to turn them into information.

The most important achievements of 2016 include a numbers of projects:

- Babel program: The new integrated CRM platform for Corporate Italy was completed and put into production, which includes: Performance Tracking, Client & Group Information, Opportunities Identification, Pipeline Management, Pricing and Profitability Simulation, Alert Deadline & Deadline Management. the implementation of the Babel CEE platform was completed with the progressive roll-out in Romania, Hungary, Czech Republic, Slovakia, Croatia and Bulgaria. The GTB Spider program was put into production in Bulgaria and Romania. An assessment was launched for the extension of the Babel platform to the CIB and Corporate segments in Germany;
- CRM Retail Italy Program: The implementation of the new architecture on Big Data technologies was completed and the integration of new real-time components was started (credit transfers and Internet log). The implementation of textual data analysis capabilities through Natural Language Processing (NLP) technology was completed. A program was launched for the creation of a new Big Data platform for the management and use of commercial data on all sales channels (Omnichannel) and the development of a Simulation Engine prototype;
- CRM Retail CEE Program: the development and industrialization of 24 machine learning models to predict Churn phenomena was completed for 6 countries of the CEE Division (Romania, Hungary, Serbia, Croatia, Russia and Bulgaria). Work has begun on the subsequent stage, with development of the new models for managing Cross Selling set to start in 2017;
- Data Products: clustering and benchmarking algorithms were enhanced and new features were introduced for the management of complex commercial networks;
- Data Governance : a three-year program was launched designed to provide a single data access and development point through the integration of architectures, taxonomies and data dictionaries, resulting in the mapping of the key end-to-end processes of the Group.

Customer Services (Segue)

Service Line

The Service Lines share the following main tasks:
- monitoring, in collaboration with the Strategic Industrial Planning functions, production capacity, service performance and quality (SLA), including by defining specific indicators;
- delivery of services internationally, ensuring that they are constantly in line with agreed service levels and ensuring that current SLAs are respected;
- ensuring the quality and safety of products/services provided in compliance with internal/external rules as well as with standards required by the market;
- interaction with the Business Lines in order to provide services based on their specific areas of responsibility;
- interaction with other company functions, especially the Chief Security Office, HR Organization & Logistics, Planning, Finance & Administration, as well as with the Strategic Industrial Planning functions for the development and organization of relevant aspects such as, respectively:
  - strategy development;
  - Business Continuity and Disaster Recovery strategy development;
  - management of training and methodologies;
  - development of technical skills;
  - evaluation of personnel performance and skills;
  - sizing, organizational model and reorganization, industrial processes;
  - development of performance management and related action plans;
  - demand management and production planning;
  - responsibility for budget including demand generated by customers;
- development of production tools and methodologies;
- development of supply of services;
- differentiation of service models proposed in agreement with the varying competitive profiles of the affected Business Line components;
- execution/implementation of projects in all countries.

Responsible for coordination of all the activities of the units under its responsibility, the Banking Service Line Management performs the following tasks:
- supervising the management of the Banking Service Lines, the Banking Service Line Strategic Industrial Planning, the Global ICT Competence Centers Development and the Chief Security Office, acting within the scope of conferred powers and responsibilities;
- preparation of the budget for the year and development of long-term plans for the areas under its responsibility, providing lower levels with the relevant management guidance and verifying their correct implementation;
- identification of technical, commercial, business continuity and management strategies and development of operational programs and projects aimed at improving the performance of services on the part of the Banking Service Lines and other organizational units under its responsibility.

The Division relies on a local representative in the German Branch, who is responsible for coordinating and centralizing all activities that cut across the Division and that have an impact on or are carried out in the Branch.

Responsible for coordination of all the activities of the units under its responsibility, the Infrastructural Service Lines Management performs the following tasks:
- supervision of the management of the Real Estate Service Lines and Procurement and Infrastructural Service Line Strategic Industrial Planning, acting within the scope of conferred powers and responsibilities;
- preparation of the budget for the year and development of long-term plans for the areas under its responsibility, providing lower levels with the relevant management guidance and verifying their correct implementation;
- identifying technical, commercial, business continuity and management strategies and preparing operational programs and projects aimed at the improved performance of services by the Real Estate and Procurement Service Lines.

ICT Evolution Service Line

The ICT Evolution Service Line sets the standards and follows the developments of Application and Infrastructure Architectures, provides support to ICT projects in the definition and acquisition of infrastructure solutions, implements the ICT infrastructure projects as well as the methods and tools for the management of ICT projects and of software life cycle, measuring their quality. It also defines and implements new DICT services and initiatives (Distributed ICT).

Therefore, consistent with the Group's guidelines, the ICT Evolution Service Line performs the following tasks:
- contributing to the ICT strategy;
- managing and monitoring the architecture according to a constant evolution approach;
- enabling the industrialization and the adoption of innovative application and infrastructure solutions;
- validating the architectural model of the various proposed solutions;
- ensuring quality through the establishment of appropriate processes, methodologies, tools and assessments focused on ICT projects;
- estimating the overall commitment in terms of ICT development and application support on the basis of the Function Point methodology;
- managing, integrating and optimizing platforms for application development, providing advanced solutions to serve the entire software life cycle;
- coordinating strategic projects related to the application and infrastructure area;

• managing the infrastructure services requirements, the related engineering solutions as well as designing and implementing new services for the entire DICT area (Distributed ICT).

During the year support continued to be provided to the "Cloud" initiative, aimed at verifying the applicability of ICT on demand services (applications and infrastructure), providing greater efficiency in terms of cost, flexibility and time-to-market while ensuring full respect of privacy directives, regulatory requirements and safety and risk laws and regulations.

In addition, greater efforts were devoted to various "Blockchain" initiatives designed to test its applicability to bank use cases, its technology, security and scalability, and specifically:

• the Service Line is an active member of the "R3" consortium formed to create a global network of over 40 banks that share the "Blockchain" platform and standards;
• International payments: The Service Line is one of the active members of the "Ripple Global Payment Steering Group" working group which aims to define standards, rules and frameworks for global payments;
• Trade Finance: a pilot project has been completed and the potential participation in bank consortia is being evaluated;
• Markets: with regard to Forex Trade, a solution for the reconciliation of FX orders that does not require central validation bodies has been developed and released into production.

The "Architecture" component has contributed to the definition of the guidelines and the design of the new "DGSIG" digital platform which aims to modernize the Core Banking through an incremental and modular approach, based on an open API (Application Program Interface) platform.

The "Application Engineering" component also contributed to the industrialization of the Service Oriented Architecture (SOA) and the related governance, with the aim, on the one hand, to make application development more flexible and easy to monitor, and on the other, to consolidate and renew the development frameworks of Front End applications.

In collaboration with the Business Lines and making use of the "Function Point" methodology, the industrialization of analysis and monitoring activities regarding the productivity and efficiency of application development and maintenance was further strengthened. About 5 million Function Points were sized on the "Run" application, attributable to approximately 2,800 applications, while on the "Change" application, projects were assessed for about 300 million euros.

As part of activities for the evolution and industrialization of processes and platforms:

• the Business Lines were supported in about 2,700 initiatives by adopting an innovative approach to quality control, always relying on the Technical Qualified Opinion (TQO)- Committee;
• approximately 2,200 requests for infrastructure components / services to V-TServices were managed and finalized;
• project control and monitoring of software releases were extended to the various business areas relying on the Release Management tool;
• an assessment was finalized to evaluate the applicability of the DevOps model within the Company, defining a personalized approach in view of the practices and tools already in place;
• study groups were started to prepare the implementation of the Windows 10 operating system to replace the current Windows 7.

Finally, as part of the project for the dissemination of the digital culture within the Group, about 50,000 tablets were assigned to employees in Italy with the introduction of a new technology that allows for enterprise and consumer applications to coexist.

ICT Deployment & Production Service Line

The ICT Deployment & Production Service Line is responsible for managing all ICT issues related to hardware and software releases, for coordinating and carrying out test activities and the subsequent release.
In addition, it oversees the smooth operation of Data Centers and manages infrastructure-related Outsourcing contracts (involving the relevant corporate functions), licensing issues as well as the capacity planning and optimization of ICT infrastructure resources.

The ICT D&P Service Line therefore deals with the following:

• developing and maintaining the architectural landscape (cartography and configuration);
• defining and maintaining Release Management solutions for different technological platforms, also ensuring their use within the Company;
• managing, integrating and optimizing the testing environments, designing standard protocols for application testing and promoting self-tests;
• Coordinating and performing testing activities, ensuring the quality and functioning of the environments, harmonizing cross-country standard processes;
• managing the software packaging and distribution process and providing the DICT test environments;
• managing the Data Centers that are relevant for the Company activities, overseeing their smooth operation;
• ensuring the supply and delivery of the ICT peripheral hardware according to its life cycle;
• ensuring and providing immediate technical support to the Top Management;

Customer Services (Segue)

Service Line (Continued)

- with regard to ICT infrastructure services, acting as central Retained Organization (RTO) with responsibility for the entire Division, also relying on the contribution of other Service Lines;
- managing the contractual aspects, the budget and relationships with the Outsourcers that are under the responsibility of the Service Line and the main IT suppliers;
- promoting and managing the license management process;
- managing the capacity planning of ICT assets, helping ensure they are optimized at all times.

During the year, the Service Line handled ICT activities related to regulatory matters and internal control (Audit, Risk, Compliance).

The Contract Management function brought to full operation governance, budget, contract management and interface processes. A structured approach was adopted for the renewal phases of maintenance contracts with major technology vendors, with a view to contain costs and rationalize the use of resources: a feasibility study was started to define the internal Software Asset Management (SAM) process and the Product Lifecycle Management issues. The fifth amendment to the contract with V-TServices was finalized, including some contract changes that have resulted in a reduction of the baseline charge, and the benchmarking project for the Mainframe tower was initiated and completed. In addition, the project for the verification and recalculation of resources included in the baseline was completed and the Risk Assessment for the contract with V-TServices was updated.

Numerous initiatives were developed to support the software life cycle test phases:

- a centralized test automation service was set up, also covering mobile platforms, through which the no-regression testing activities can be automatically performed;
- an initiative was launched to virtualize the services in test environments, with the goal of reducing costs and management complexity and to provide more effective tools in the early stages of code development;
- the spread of the centralized performance testing service continued, in support of application projects and also available for mobile platforms;
- finally, the Test Factory unit supported some of the most important initiatives of the Group, such as Mach, GIMB, Firma Mia, Credit Revolution, Victory, Buddy Bank.

The Release Management phase was also affected: the model has been extended to all areas of business and an activity was started with the aim to integrate the assessment of risk related to the releases.

The code scan tools have been strengthened to analyze code written in different programming languages.

Pursuant to the requirements of Bank of Italy Circular No. 263, during 2016 the ICT Deployment & Production Service Line, in partnership with the company Value Transformation Services, completed the mapping of application and infrastructure assets for all the approximately 3,400 production application included in the application catalog of UniCredit Business Integrated Solutions. A data cleansing activity was also launched and is ongoing aimed at ensuring and maintaining a high quality level of the application catalog data and of the infrastructure components repository. Finally, the change management and configuration management processes were adjusted to ensure the continued maintenance of map data.

In compliance with these requirements, provision has been, and will be made both for comprehensive test environments and industrial processes for technical capacity planning.
During the year the adaptation of the Disaster Recovery solution was therefore continued and the ICT Deployment & Production Service Line ensured both the continuous adaptation of the application infrastructure to support the system processes (currently all system and/or mainframe platform applications and/or applications that use the Group's Front End standard -XFrame - are configured to ensure complete protection), and the adaptation of the remaining IT assets characterized by a Disaster Recovery solution, by adopting specific patterns that enable an adequate coverage of such systems ("Twin Metro" or "Campus" configuration, local High Availability solution, snapshot, risk mitigation on backups). The final test of the program will take place in the first quarter of 2017, except for the Teradata area for which longer times have been planned.
The introduction of an industrial approach has helped achieve greater cost savings and the use of best practices and, together with the introduction of innovative technologies (for example, flash storage), has led to a general improvement in the ICT architecture.

The capacity management process was brought to full operation (taking into account the demand inputs where possible); it shows the trend of the individual technology platforms in order to trigger the appropriate actions to increase and reallocate resources.

The optimization of infrastructure resources was promoted seeking ways to achieve a reduction in IT spending, while assuring the quality of service; in parallel, systems optimization measures were started.

Finally, as part of the Gibson Transformation Program, 22 projects were completed under the contract with V-TServices; as a result, during the year greater system standardization was achieved, more precise monitoring systems were introduced and the Private Cloud environment (OSY3)was set up.

ICT Quality & Service Management Service Line

The ICT Quality & Service Management Service Line manages ICT operational processes, monitors the Service Level Agreement (SLA) defined with customers and with the Company's external providers, defines actions to achieve the continuous improvement of offered services and manages all activities relating to technical support to users, by studying and proposing new solutions to improve the service. In addition, the Service Line measures ICT quality through performance indicators and defines actions for improvement, where applicable.

The Service Line therefore deals with the following:
- managing (in terms of supervision, development, coordination) ICT Operational Processes as Incident Management, Problem Management, Change Management, Availability Management, also acting as SPOC with respect to Event Incident Crisis Coordinators and authorizing changes in production, in coordination with the ICT Deployment & Production SL;
- through an operational and integrated governance designed to implement a continuous improvement process, ensuring the SLAs defined with:
  - internal customers of ICT services (acting as service integrator among the various internal and external Service Providers);
  - Outsourcers and with external Providers;
- designing and executing user support processes, by studying and proposing new solutions to improve the service and also implementing suitable tools to ensure an integrated approach;
- serving as the operational interface for internal and external users on behalf of all the production units of the Company;
- managing the content of Knowledge Management Systems (KMS);
- carrying out the first and second level technical support for peripheral systems, also taking action with providers with a view to achieve the continuous improvement of the service;
- managing the hardware and software maintenance of peripheral systems (e.g. the planning and management of maintenance operations, the service system, the maintenance of installed systems), according to SLAs defined with internal customers;
- acting as Quality Function measuring the Company's ICT quality through key Performance Indicators, defining and implementing improvements with respect to the Business Lines and the Service Lines to improve the overall quality of ICT services;
- managing the processes for the assessment, monitoring and reporting of ICT threats and controls in cooperation with the application owners.

During 2016, the ICT Operation Services Unit, which is an integral part of the Service Line, was engaged in various activities:
- implementation of the IOG tool (ICT Operational Governance), an innovative tool for collecting and analyzing data such as:
  - availability;
  - BQI and BQI for Digital Agenda;
  - other summary indicators for Major Incidents.

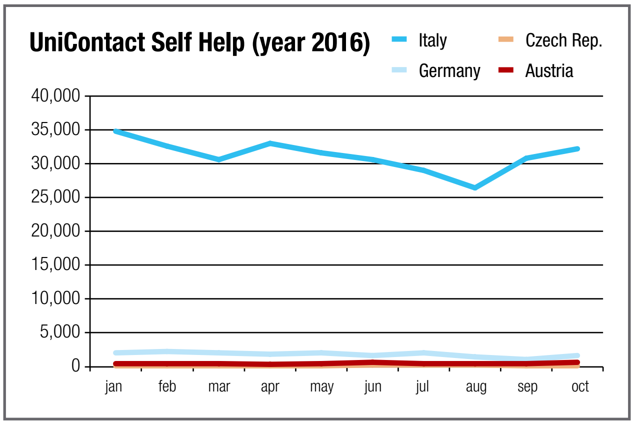
The tool facilitated the production of complex analyses on the performance of historical data designed to generate forecasts of trends in response to changed conditions.
- participation in various ICT projects (e.g. Global Payment Platform, Cloud Business Services) in order to ensure the execution of standard Incident Management and SLA Monitoring processes
- collaboration in the various phases of the Gibson Transformation Program project such as:
  - review of the contract schedule;
  - definition of new services such as Cloud, Hybrid IT;
  - integration of the incident process among external providers.

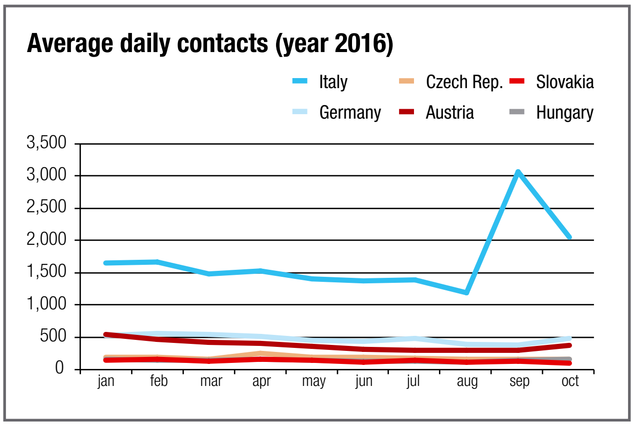
Within the Service Line, the following were also involved:
- PP&M Client Support: dealing with the production of reports for internal use and for customers, helping organise the Service Line (monitoring, verification of service levels, staffing) with the aim of identifying critical factors and possible areas for improvement;
- Technical and Strategic Governance: oversees and promotes the application of guidelines for support activities, acts as RTO (Retained Organization) for the external provider Tata Consulting with respect to the Level 1 technological support and promotes the planning and launch of strategic initiatives for the technology platforms used by contact centers;
- UniContact: supports and manages the Company through the portal of the same name, featuring complete information describing the procedures and access methods to internal services;
- Project Test Support: verification, through test cycles, of the quality of the software released to customers, limiting the impact on users;
- Contact Center/Application and Technical Support: works locally in Austria, Germany, Italy, Romania (serving Italy) Czech Republic, Slovakia and Hungary, ensuring that customer requests are processed in good time; actively participates in the coordination and monitoring of potential incidents that directly impact on operations; contributes to the integration of information held in UniContact.

In 2016 in Italy, the number of daily contacts on the Self Help platform (UniContact) was approximately 31,150 (down from 2015), which shows the further reduction in the volume handled through one-to-one channels (phone, on-line tickets) that record about 1,600 contacts per day.

Customer Services (Segue)

Service Line (Continued)

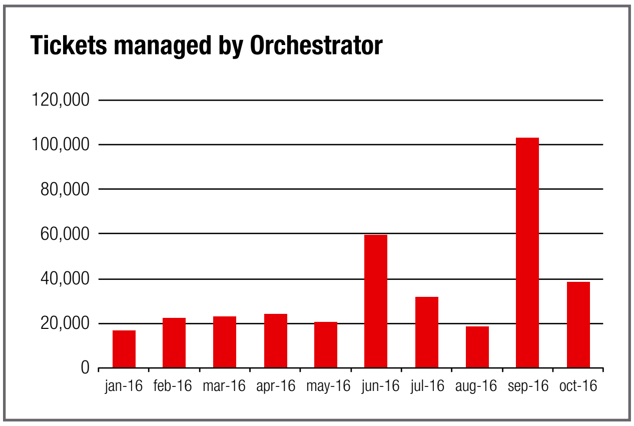




In Germany and Austria, the year 2016 was characterized by an increased use of UniContact resulting in a decrease of average daily contacts (respectively 480 for Germany and 300 in Austria); the trend was unchanged from the previous year for the Czech Republic, Slovakia and Hungary.

During the year 2016, the Service Line also actively collaborated in projects of significant importance to the Company and the Group; for Italy, they included in particular:

- Victory Project: launch of the NewCo Cordusio SIM, the Group company dedicated to Wealth Management to provide investment management and advisory services to customers with financial assets of over 5 million euros;
- Credit Revolution: creation of a single platform designed to streamline all credit processes and products. More specifically, for the current year, the following products were released: Targeted loans, current account Overdraft and easy Lease, Credit Cards;
- Open Desk: implementation of the single interface dashboard with various applications;
- Tablet4employee: delivery of tablets to employees in Italy that have joined the initiative;
- "My agent" Project : Agents accessing UniCredit applications and IT tools via VPN, enabling them to perform their job on the move;
- Orchestrator: automated management of ticket processes without operator.



Finally, the Service Line was engaged in significant projects that will occupy a prominent place in 2017:

- Italy Bank 4.0: network reorganization in the Retail and Corporate Divisions;
- Mach project: migration from the EuroSIG information system to the Core System in the Czech Republic;
- GIMB project (Global Internet and Mobile Banking): design of a single front end for Internet Banking in 3 countries: Italy, Austria and Germany.

Security Service Line

The Security Service Line handles all tasks related to security services, in compliance with the Security Group Rules, in accordance with local laws and regulations and in line with the guidelines and the appointed units of the Parent Company, designed to prevent and manage any criminal/harmful event or business interruptions that could damage the Company, its tangible and intangible assets, and/or that could have an adverse impact on customers. It also performs internal control activities designed to support the daily production business.

The Service Line therefore deals with the following:

- actively participating in Group projects designed to implement and/or change security measures, and assessing, developing, updating and monitoring all security-related issues, either through specific service agreements or working directly;
- supporting the competent Holding units, as applicable, in the drafting of Global Operational Instructions (GOI) on security (technical instructions) to be issued by the Parent company;

- coordinating and updating the ICT Security Risk assessment process, both by performing all necessary prevention and investigation activities designed to mitigate risk and through the monitoring of exposure levels and the proper management of security technologies, while identifying countermeasures and appropriate cost-benefit ratios;
- acting as a reference point within the Group for the development of security measures within the area of responsibility, also through the massive evaluation of security-related data and trends, in line with appointed units of the Parent Company;
- defining security standards and outlining the architecture on the basis of guidelines from the relevant Parent Company units, including through the selection of products/technologies for the Group environments;
- defining and implementing specific methodologies and metrics as needed, to provide solutions designed to mitigate operational risks for the entire Group, in line with the guidelines issued by the relevant Parent Company departments;
- providing services for physical security (electronic access control system, video surveillance, security guard, etc.) and cash in transit management (serving Italy only), preventing and minimizing any kind of damage to persons and goods, coordinating with the relevant Parent Company units;
- providing an anti-fraud service through the definition and design of prevention measures and detection systems and through the maintenance of “Risk and Fraud” services, processes and analyses for the “Direct Channels” and the “Cards Issuing/Acquiring” businesses, in alignment with the relevant Parent Company units;
- performing and verifying the adequacy of internal controls on Operations processes in Italy, also interacting with all the organizational units involved (e.g. the Business Lines, Risk Management) in order to propose the necessary controls and cooperate in the implementation of tools for the mitigation of existing risks;
- supporting the development and implementation of appropriate anti-fraud systems and tools for Core Banking;
- designing and developing security solutions for central systems designed to protect the technological infrastructure and support the needs that mainly arise in domestic and infrastructure services, ensuring the effective implementation of defined principles;
- ensuring alignment between the Group Legal Entities, within the area of responsibility, and the international payment networks for the generation and exchange of encrypted enabling keys;
- developing and managing an integrated system for identity and authorization through:
  - the management and maintenance of data access control systems based on profiles/roles;
  - the monitoring and continuous alignment of profiles for access to ICT resources;
  - ensuring the proper functioning of the profiles.
- interacting with and providing all necessary information to the relevant Parent company units in order to ensure the implementation of an integrated security service model;
- liaising with law enforcement agencies and public security institutions to ensure a consistent and effective working relationship on the local level and to protect the interests of the Group, in full compliance with national and company regulations and in line with the relevant parent company units.

During the year, the following initiatives were developed and supported:

- PNG: (Stream WP8). Creation of an aggregator and correlator of physical and logical security events that will link all source systems.
  A Big Data system was used to process and correlate the data collected obtaining presentations and summary dashboards for the various levels in the management of critical situations.
- APT Defensive Solution. Introduction of a solution to protect against targeted cyber attacks (Advanced Persistent Threat) designed to identify signals on different layers (e.g. email, client, network traffic) and at different times (during and after an attack). These attacks are becoming more frequent and use various spreading techniques such as social engineering, spam, malware.
- Network MAP. Introduction of a solution for the active monitoring of all IT network components for real-time mapping and assessment of the global state (in terms of health, patching level and device configurations).
- Protection of technical users operating on the information system managed by the Company. Initial release of a tool for the periodic change of passwords for the Technical Users operating on the most critical sections of the IT infrastructure. The coverage of the solution will be extended in the course of 2017.
- Identity and Access Governance Framework. The Framework was improved to enable greater control of Access Rights assigned to employees of the Company and UniCredit S.p.A. Specific procedures and instruments were introduced to ensure periodic certification of access rights and identification of Toxic Combinations.
- Fraud Risk Assessment. Release of tool (available for use by all CSOs through the Group intranet) that implements a methodology developed in collaboration with GISO and designed to identify risk levels and plan the related investments for the implementation of the necessary mitigations.
- Core Banking Antifraud Platform (MEMENTO). Identification of internal and external fraud threats in relation to traditional banking services (e.g. payment orders at the branch, checks). It is supported by Network Link Analyzer as an additional tool to also identify related events revealing potentially fraudulent patterns.

Customer Services (Segue)

Service Line (Continued)

Enterprise Solutions Service Line

The Enterprise Solutions Service Line identifies and guides all the optimization and standardization initiatives regarding the Business Lines operations, aimed at improving the effectiveness and efficiency of the services offered and at containing costs, in line with corporate strategies and in cooperation with the Business Lines and the Product Lines.
It is also directly responsible for managing the internal ICT services, with specific focus on quality and cost optimization through a constant search for efficiency in carrying out project (CHANGE) and maintenance (RUN) activities.
It also performs administrative tasks with the aim of supporting the daily business and manages the training on ICT related subjects.

The Enterprise Solutions Service line includes:

- The PM & ICT Training Center, which is in charge of qualifying and preparing internal and/or new staff to satisfy the internal professional roles required, also responding to specific needs in accordance with corporate and Group strategies and in close collaboration with HR and the Business Lines.
- S2P Centralized Services, which is in charge of supporting the ICT component in the administrative management of the Source To Pay and External Time Reporting processes, both for the Run and Change activities, providing a centralized management of activities (for example uploading purchase requests in the systems, confirmations relating to goods and/or services received).
  It also performs advanced reporting activities and provides advice to its stakeholders to address Compliance and Procurement issues.
  In 2016, the scope of activities managed through both processes was consolidated, task forces were managed for different areas (setup Procurement Dashboards, Baseline V-TServices, Real Estate) and support was ensured to cross initiatives.
- Standardization and Improvement. It directly and indirectly deals with process re-engineering in the Operations, ICT, Real Estate or E2E areas. It works with the various internal units and with other Group companies, by making its own staff available or by providing support through coaching, training and training on the job.
  During 2016, the main activity was focused to the Document & Case Management Program, the second pillar of the Group's Digital Agenda Program, where the re-engineering activity was combined with the program PMO activities in cooperation with Group Organization. As a result, approximately 40 E2E processes in mature market areas were affected, with 12 projects and four feasibility studies being launched. Concurrently, the Lean Six Sigma approach was further improved using the innovative digitization tools (for example dematerialization at the beginning of processes, OCR, the Case Manager and Robotics) to help concentrate the remaining activities that impact the branches. Two examples are the SEPA and F24 projects for UniCredit. The implementation with final release expected in May 2017, took place with agile approach, in continuity with the Payments Investigations experience.
  The Lean Six Sigma training continued to be provided, with over 1,900 people trained and a further expansion of the group of internal trainers. Through coaching, the Black Belts (key advanced level roles) managed to complete 15 projects in different areas (for example UniCredit Bank in Russia and Romania) obtaining a certified efficiency of 66 FTE (57 in the Group CEE area and 9 within the Company), the optimization of Lead Time and improved customer satisfaction.
  During the year the unit was awarded a prize at the 2016 LSS Awards organized by Lean in Finance. UniCredit Business Integrated Solutions received the Leader of Change and Velocità del Valore awards from among a panel of about 15 competitors, multinationals from the industrial and services sector.
- UniCredit Business Integrated Solutions Tools. It performs the following tasks:
  - providing application solutions to support business processes and the control system;
  - providing tools to support productivity and the monitoring of back office operations (IMS/GIS);
  - support, in terms of applications, the request of internal standard services with the related processing (ticketing), ensuring their integration with the corresponding suppliers/external clients services;
  - support, in cooperation with Organization, the demand management process which involves estimation, feasibility analysis, resource allocation, planning and monitoring activities;
  - fully support Fleet Management processes (sourcing, inventory management, supply/ replacement of equipment, maintenance, cost recharging);
  - providing IT solutions to support the integrated management (both property and facilities) of the Group's real estate assets;
  - controlling and representing according to standard models the level of process compliance with internal and external regulations (GRC);
  - measuring the industrial performance of the Company through the collection and classification of data, based on Data Warehousing techniques, and the calculation of productivity and cost indicators;
  - ensuring reporting processes (governance, management and operational reporting) to support the decisions of the Company and of the other legal entities of the Group;
  - providing application solutions to support the internalization of previously outsourced document management processes (Business Transformation Insourcing);
- UniCredit Business Integrated Solutions Tools also has 5 internal functions:
  - GCC Real Estate Tools. In the course of 2016, the main application solutions were consolidated (on the Maximo platform) to support the management of the Holding company's real

estate assets both for administrative and accounting activities (accounting and reporting reconciliations, cost charge-backs, tables of joint ownership thousandths, management of condominium meetings) and for scheduled, extraordinary and repair maintenance and for legal formalities (taxes, asbestos management);

The solutions supporting the registration and cataloging of technological systems and the associated equipment located in buildings of the Group were released and consolidated. They also enable the cataloging and geolocation of furniture, security equipment and works of art, by setting up a historical database. The testing of instruments for the remote control of energy consumption at the branches continued in 2016.

- GCC Business Intelligence Smart Office. During the year the following areas recorded significant developments: the Customer Portal to control the industrial analysis of data, the reporting platform using Visual Analytics and the integrated ORS system for the Holding company.

  In 2016 a thorough review of the architectural PPM platform was also performed, which led to significantly improve its performance and service levels. In particular, a new feature was released to support the demand process towards V-TServices.
- GCC Process Support Tools. In 2016, the consolidation and development process of the Group’s platform for the integrated representation of processes and controls continued, with the start of migration from Mega 2009 and GRC to Mega Hopex.
- GCC Asset Management & Cartography tools. During 2016, the migration of the management of peripheral assets to the HP Asset Manager was completed in the Czech Republic and Slovakia. Innovative, Cloud-based solutions for the mobile management of some asset management features were also successfully tested.
- GCC First Level Support Tools. Solutions based on the Remedy platform continued to be released to support back office operations in Austria and Italy. The same platform was also successfully integrated with innovative case management solutions (Pega) recently introduced in the Group to achieve increasingly more efficient back-office processes. In particular, an IT solution was released to support investigations in the payment area.

Finally, the Service Line was assigned the Operations Services Outsourcer Interface unit which acts as Operational RTO with the Outsourcers, with regard to the Operations services (archiving and printing of documents, postal services, processing of checks, money orders and magnetic media).

Real Estate Service Line

The Real Estate Service Line supports the Parent Company in the management and optimization of its real estate portfolio, for both owned and leased assets; it manages and optimizes cost and investment budgets, promotes and monitors real-estate projects and transactions carried out by other Legal Entities, and assists the Parent company in exercising governance in the Real Estate area.

The Real Estate Service Line is responsible for:
- proposing and implementing a global strategy for the management of the portfolio in line with the Group’s policies;
- planning, executing and monitoring real estate projects such as: openings, renovations, space allocation, closures;
- planning and providing facility management services in order to ensure the efficiency and operational continuity of real estate assets;
- planning and providing construction services in order to optimize costs and times and improve the quality of all real estate transformation projects;
- performing real estate administrative services in relation to the portfolio used by banks (i.e.: cost allocation to internal customers, lease management, tax registration and payment, condo fees, etc.);
- supervising and monitoring the Group's investments in real estate funds and special purpose vehicles (SPV) managed by third parties and providing real estate advisory services;
- supporting the other legal entities in the implementation of real estate projects.

During the year the Service Line focused primarily on the following activities:
- sale of the non-operating portfolio, with transactions of over 450 million euros (of which about 250 million euros in Italy, and the remaining in Germany and Austria);
- space rationalization and reallocation projects in line with Smart Working criteria for the Group's operating real estate assets in Italy (Milan, Verona, Turin, Naples and, in the future, Rome) and in Europe (Vienna, Monaco, Belgrade);
- projects for the optimization and transformation of the commercial network.

In Italy, the activity for the disposal of unused properties continued, and in the course of 2016, the Great Beauty portfolio, consisting of three prestigious buildings in the center of Rome leased to Public Administrations, was sold to Morgan Stanley SGR for a total of 225 million euros. The Service Line also completed over 60 other real estate transactions for about 25 million euros in total, pertaining to UniCredit S.p.A., Salone S.p.A. and Nuova Compagnia Partecipazioni S.p.A..

Arianna (www.ariannaunicredit.eu) consolidated its role; this is the real estate portal developed by the Real Estate Service Line, which offers all users the opportunity to buy or rent non-operating real estate assets of the UniCredit Group Companies in Italy in a simple and transparent manner, with no brokerage fees or commissions. Arianna manages a portfolio of over 1,000 properties, mainly commercial (offices, former branch offices, warehouses). In 2016, the site had over 300,000 accesses, which generated more than 4,000 expressions of interest.

Customer Services (Segue)

Service Line (Continued)

With reference to operating properties, we note the excellent result of the project for renegotiation of the leases (called Kill The Rent) which has generated a total reduction in rents of around 46 million euros since its inception in 2009.
Also as part of the initiatives for a reduction of rent costs, two important transactions should be noted for the city of Milan: the signing of the agreement for the early termination of the lease of the building in via Santa Margherita 2 and the sending of the lease termination notice for the building in Piazza Cordusio, to be vacated by July 2017. The two transactions will result in significant cost savings until 2026 (original term of the leases).

The Real Estate Service Line Italy also continued the activities related to the Smart Working project, based on the "sharing economy" concept as applied to work spaces, i.e. the shift from an exclusive use of, to the free access to the workstations. Places were designed to better meet real business needs at different times of the day, with the introduction of differentiated workstations (the number of meeting rooms of various sizes was increased, informal meeting areas, concentration areas, privacy areas were created).
In the course of 2016, in Italy another 28,000 square meters were transformed in the buildings of UniCredit Tower and Via Livio Cambi in Milan and in the Magazzini Generali in Verona, bringing to 52,000 the total square meters affected since the inception of the project. The staff involved in 2016 were approximately 2,000, in addition to another 2,000 involved in previous years.
In particular, in Verona, the new Magazzini Generali Headquarter was the first "native" Smart Working property to be completed in Italy; approximately 900 Group's staff were moved there, thereby completing the Verona City Plan that involves vacating 9 buildings and achieving savings of over 7 million euros per year.

In Naples, following the complete system and architectural refurbishment of the property, the optimization plan was completed and about 250 employees were centralized into the owned building located in Via Verdi 18. This enabled the company to vacate 3 rented properties (total of 5,000 square meters) for a total saving of about 2.5 million euros.

In Reggio Emilia a renovation project was started involving the property in Via Rivoluzione d'Ottobre where 12 storeys and 5,400 square meters are being used by 570 employees: The works include the transformation of office floors into open space and their full functional and spatial refurbishment, the structural and aesthetic restoration of the facades and the reorganization of common areas.
An analysis was also started to identify possible optimization plans in medium-small cities which to date have not been included within the scope of City Plans; as a result, rationalization and optimization works have been designed and planned for office spaces in the cities of Trieste, Potenza, Parma and Modena.

The Real Estate Service Line Italy also supported the launch of the new company Wealth Management Cordusio SIM, by identifying and renovating:
- the headquarters of Via Bertoloni in Rome, operational since October 2016;
- the head office of via Borromei in Milan, which will become operational in 2017;
- the remaining offices in Italy, including Naples, Turin, Bologna, Verona and Florence, in premises already owned by the Group.

Energy audit activities continued in 2016 with regard to large properties and the branch network, which led to the definition of specific energy efficiency plans. Metering systems were installed as part of these activities to monitor consumption in about 1,200 properties. These new systems complement the Adverto remote control system that monitors the proper functioning of installed air conditioning systems.
Again in the field of advanced property management systems, the first Real Time Occupancy Monitoring System was implemented in the new Smart Working building Magazzini Generali in Verona, through which each individual workstation / meeting room can communicate its status (occupied and in use, occupied and temporarily not in use, free) in order to:
- facilitate the quantitative management of spaces, with the ability to resize the share of workstations based on actual evidence and identify the areas most used and those less sought after, in order to adapt the layout to the actual needs of people;
- enhance the experience through an advanced booking system of meeting rooms / other common areas;
- communicate with the air conditioning system via the Building Management Systems (BMS) in order to optimize the temperature set-points and the primary air flows for a more sustainable management of the property.

Work continued on the network optimization plan with a further reduction of 231 branches (501 in 2014), the retail branches nationwide declining from 3,283 to 3,052, and additional savings of 15 million euros.
In 2016, 243 projects were also completed which brought the total number of transformed branches to 700. More specifically, the following projects were completed:
- 124 total renovations for the RUN project (Rethinking UniCredit Network), with full application of the new OPEN branch model;
- 119 Smart Desk projects through which some of the RUN model principles can be applied to customer-dedicated spaces.

In addition, a new branch model prototype was developed and implemented at Via Carducci in Milan, characterized by:
- a front-end area dedicated to customer reception;
- the presence of a proactive Customer Manager and unassigned front office stations;
- the sharing of back office functions.

The new model aims to:
- optimize space efficiency through the introduction of pooled back-office functions and the non-allocation of workstations;
- maximize Customer Engagement through improved reception and interaction with customers;
- increase cross-selling/upselling opportunities through direct customer reception.

Finally, the My Self project was started which aims to increase automation at the branches, by installing automatic tellers near the waiting areas, encouraging the use of automatic/remote channels. In 2016, 68 machines were installed in all Italian regions.

UniCredit continued to work for the optimization of the Mobile Branch, a mobile branch of about 6 square meters, made of wood and glass designed in 2015 by architect Matteo Thun. In the course of 2016, some new digital features were implemented, such as access to the branch applications, public Wi-Fi, improved outdoor digital signage with video interaction and face recognition capabilities.
The Mobile Branch was installed in Milan in Piazza Castello during the Champions League final in May and, in October in Trieste during the Barcolana regatta.

Work continued for the Vienna Campus, which was started in 2015 and is expected to be completed in 2018.
The Group will occupy 2 of the 5 buildings that constitute the whole complex, which extends over an area of over 300,000 square meters.
By applying the Smart Working principles and optimizing the spaces, the works will bring eight executive offices together under one roof, ensuring a reduction of about 80,000 square meters.
With regard to the network projects, also in Austria additional branches were vacated (33 at the end of the year) and the plan to restructure existing ones according to the Smart Banking project continued, involving about 50 agencies since the project's inception.

In Germany, the Monaco Campus project continued, with two executive offices to be vacated and the transfer of the staff in the existing offices in Tucherpark and Arabellapark. In 2016, works for the renovation of the Arabellapark tower were completed according to the Smart Working principles, bringing its occupancy capacity to 1,400 people (an increase of about 20%).
Finalization of the Arabellapark center is expected for 2020, with the completion of the lower structure which may host additional 1,700 people, thereby bringing the overall occupancy capacity to 3,100.

Thanks to favorable conditions in the housing market in Austria and Germany, sales exceeded 200 million euros.
Around 100 million euros came from transactions involving non-operating assets of Bank Austria, specifically the companies Universale International Realitäten GmbH and Immobilien Holding GmbH, which on the wake of the successes achieved during 2015, significantly contributed to the results of 2016 with disposals totaling about 70 million euros.
In Germany, sales exceeded the threshold of 130 million euros. The most significant transactions concerned the European Office Fund, which completed the sale of three properties for office use, situated in Gothenburg, Nuremberg and Leipzig, for an amount in excess of 100 million euros.

The first projects entirely implemented according to the Smart Working principles were completed in the countries of Central and Eastern Europe, leading to the consolidation and optimization of the Executive Offices in the cities of Belgrade and Iasi. The office in Iasi, entirely dedicated to the employees of UniCredit Business Integrated Solutions, is home to about 600 people in a space of 7,000 square meters (with a target of 700 in 2018); the office in Belgrade, which is the result of the consolidation of three previous buildings, is home to 746 people in 6,400 square meters.

Interior view of the office in Iasi.

Implementation of the branch plan according to the Branch of the Future model continued in Bulgaria, Serbia, Bosnia and Croatia, such model having become a standard within the CEE area. To date, the new model has been implemented in about 50 branches.
Finally, the Mobile Branch model was also successfully tested within the CEE region; In Croatia and Romania, given the satisfactory sales results, the model has been permanently adopted alongside the traditional branches.

Procurement Service Line

The Procurement Service Line deals with the purchase of goods and services in support of the Business, contributing effectively to the oversight and rationalisation of external costs.

Customer Services (Segue)

Service Line (Continued)

The Service Line, therefore, has the function of:
- defining and proposing a unique vision and a consistent approach by working closely with the other functions of the Group;
- purchasing goods and services and leveraging economies of scope and scale in order to make the most of potential synergies;
- conducting market research and surveys, paying great attention both to negotiating innovation and to the terms and conditions of supply;
- assessing suppliers, participating in tenders, negotiating and monitoring favorable conditions globally and locally for the supply of goods, services and equipment;
- supporting business, through market knowledge, with innovative product/service solutions to optimize costs and ensure high quality standards;
- monitoring suppliers, with particular attention to those of strategic importance; evaluating the effectiveness of the relationship and promoting improvement actions.

The Procurement Service Line was also assigned the Central Sourcing unit in charge of global negotiations, in order to promote the standardization of products and services by leveraging the volumes generated by the Group. In each country there is a local supervision, referred to as the Procurement Office, dedicated to the management of services in line with local specificities and legislation.

During the year, the Procurement Service Line continued with the activities described last year, and focused on:
- IT Services: the process for streamlining the number of suppliers involved in application development activities continued. The methods of engagement are increasingly based on calls for tenders through the Group i-Faber platform and, in particular, on the acquisition of services on a turnkey basis, i.e. with the provider assuming all responsibilities related to the services offered, ensuring the agreed quality standards, the agreed delivery times, and the predefined budget. In this respect, the purchasing processes have also been modified to achieve this goal;
- launch of the program for the renegotiation of major contracts, with the aim to improve the Group's cost profile. The Sourcing Strategy is indeed an integral part of the industrial levers used by the Group. Together with the existing contracts of significant value, also those that in the past had not been awarded through a bidding process, are now part of the renegotiation program;
- Budget Freeze: the process that was started last year in collaboration with the CFO brought significant results also in 2016, by giving back to the CFO/Company significant shares of the budget, which have became available following the negotiations carried out by Procurement;
- as a result of the changes introduced with regard to the purchasing of consulting services, Group Procurement and Cost Management have implemented a periodic monitoring process in Italy, Germany and Austria, aimed at reporting to the top management on the trend of expenditures and the use of bidding procedures; Improved planning of negotiating activities with Group suppliers (procurement demand management process), which in 2016 reached 90% of expenditures expected at the Global level;
- completion of the qualification process of suppliers included in the related register which, in compliance with the Group's compliance rules, ensures adequate supervision of operational and reputational risks;
- review of the Procurement monitoring process, to ensure improved daily supervision of shopping cart volumes and orders in transit and the subsequent orderly processing of workload along the administrative chain.

Savings totaled more than 444 million euros (15% of negotiation volumes), reaching 1.755 billion euros traded in online auctions.

Equity investments

Full subsidiaries

UniCredit Business Integrated Solutions Austria GmbH

The company was registered on April 6, 2004 with the Companies Register at the Commercial Court in Vienna under the name Infrastruktur Holding GmbH. The company name was changed to UGIS Austria GmbH in 2011 and then in UniCredit Business Integrated Solutions Austria GmbH in 2012. The Company's headquarters are in Vienna 1090, Nordbergstrasse 13.

With a transfer agreement of May 10, 2011, UniCredit Bank Austria AG sold all UniCredit Business Integrated Solutions Austria GmbH shares to UniCredit Global Information Services S.C.p.A., Milan (now UniCredit Business Integrated Solutions S.C.p.A.). Thus, the latter is currently the sole shareholder of UniCredit Business Integrated Solutions Austria GmbH.

On December 31, 2010, UGIS S.C.p.A. transferred its Austrian branch to UniCredit Business Integrated Solutions Austria GmbH. In a further reorganization phase, Bank Austria Global Information Services GmbH, Vienna (BAGIS) merged with UniCredit Business Integrated Solutions Austria GmbH, according to an agreement signed on June 20, 2011. The share capital of UniCredit Business Integrated Solutions Austria GmbH has been increased to €1.2 million.

On January 18, 2012, UniCredit Business Integrated Solutions Austria GmbH was merged with UniCredit Business Partner GmbH (UCBP, transferring company).
With a further agreement of February 20, 2013, UniCredit Business Integrated Solutions Austria GmbH merged with DOMUS FACILITY Management Sagl (DOMUS GmbH), Vienna.

On March 1, 2012, the HR services (payroll administration) of UniCredit Bank Austria AG (Bank Austria) and payroll and pension management, travel management and training and organizational management activities were transferred to UniCredit Business Integrated Solutions Austria GmbH.

As of June 1, 2012, personnel accounting management has been entrusted to a joint venture between UniCredit Business Integrated Solutions S.C.p.A. and Hewlett Packard Italia, Milan. The company is called ES Shared Service Center S.p.A. and has the function of developing and managing evenly all of UniCredit group personnel.

As of January 1, 2014, UniCredit Business Integrated Solutions Austria GmbH acquired all shares of Domus Clean Reinigungs GmbH.

UniCredit Business Integrated Solutions Austria GmbH (formerly UGIS Austria GmbH) is included in the consolidated financial statements of UniCredit.

At the end of 2015 UniCredit Bank Austria launched a reorganization plan for its retail division (known as Bank Austria Reloaded), involving a review of its current business model and a shift towards simplification of the range of products offered and increased efficiency of its processes. Following the plan, UniCredit Business Integrated Solutions Austria GmbH was asked for a reduction in the costs it invoices to Bank Austria. In the course of 2016, the goal was pursued through the following initiatives:
- decommissioning of applications no longer in use;
- license optimization and consolidation of relations with ICT vendors;
- increased efficiency in the various operational areas.

The project launched in 2015 for the development of a new service system for retail customers progressed markedly in 2016 and for 2017 the range of online services offered to customers is expected to be further expanded.

In 2016 the Bank confirmed its Universal Bank business model and launched a review process of its retail business that will lead to significant cost savings in the coming years.

Uni IT S.r.l.

Uni IT is a certified UNI EN ISO 9001:2015, ISO 27001:2014 and ISO IEC 20000:2011 subsidiary company that provides services striving to improve efficiency in the administrative management of entities.

Since 2015 it has been registered with the AGID [Agency for Digital Italy] list of certified data-storage managers.

This accreditation, required to provide the data-storage service to the Public Administration, guarantees - also to private individuals - a high level in terms of quality and safety, in accordance with applicable regulations.

With a clear focus on service quality and customer satisfaction, it aims to:
- serve as a point of reference in the Public Administration market for the supply of advanced products and services;
- act as a partner in the optimization of treasury activities and other innovative services;
- offer the market an IT payment order solution, also for

Equity investments (Segue)

Full subsidiaries (Continued)

ASPs (local health authorities), to innovate and qualify the administrative processes and exchange between entity and treasury;
- develop the Solution on an ongoing basis to ensure its continuous recognition nationwide;
- offer to the market - both public entities as well as private individuals - IT documentation data-storage services.

In this regard, in 2016, the company continued adapting the Solution to the provisions of current laws and regulations, with a view to maximize benefits, contain costs and control risks - both as regards users and treasury.

The “Mandato Informatico” solution acts as an interface between the public-entity applications and the treasury system. By using digital signature technology, combined with the highest security standards, data exchange flows with the treasury are guaranteed in conditions which safeguard information, effective controls and speed of payments, in compliance with the legislation in force and instructions issued by the Bank of Italy.

The Uni IT solution has the following advantages:
- elimination of paper flows to and from the treasury;
- elimination of paper flows from entity to beneficiary with e-mail notifications when payments become available;
- reduction in time spent on research;
- archiving and storage of documents with digital signatures, with the option of reprinting, including documents required by the treasury;
- optimization of workspaces and logistical solutions following the dematerialization of deeds;
- timely control of income and expense flows;
- speeding up payment times and processes;
- control and monitoring of flows sent to the treasury;
- on-line verification of document status with the treasury;
- user-friendly solution that can be activated quickly.

The 2016 growth trend confirms the validity and potential of the Uni IT services. The Mandato Informatico solution, the Company's key service, has now been used by 772 Public Entities, located in 18 regions. Orders processed during the year amounted to around 9,7 million. Around eighty different accounting systems have been interfaced, to ensure improved efficiency in treasury data processing. Two data centers host the application.

The now-consolidated computerized document storage service had 347 customers at year-end.

Revenue from the service stood at € 3,758 million. The year ended with pre-tax profits of € 399,246.
Uni IT has developed and activated a service enabling the public administration responsible for controlling other entities to constantly monitor the work of these entities; this also aims to limit costs and ensure the constant search for possible room for growth into connected or complementary areas. Moreover, by using IT tools and providing its customers (the public administration and banks) with services enabling a considerable reduction in paper consumption, it helps safeguard environmental resources.

QuenIT Consortium

The service provided by PL Cards of UniCredit Business Integrated Solutions, through the QuenIT Consortium, for loyalty management continued in 2016, ensuring excellent reliability and continuity of service; the main functions that make up the service are the following:
- end-to-end management of loyalty transactions;
- management of the authorization of payments using bank cards or fuel cards at point of sale;
- level I and II customer services for eni operators
- on-site assistance and maintenance services
- prevention and control of loyalty fraud;
- special assistance service and software development.

At the beginning of the year, eni introduced a new Pos provider following a tender procedure. For this reason QuenIT implemented the Porting of the solution to Ingenico Pos (currently only available on Verifone devices); the solution includes the Loyalty application, the fuel cards, the topping up of prepaid cards and the cards orchestration application.

In the second part of 2016 the Mobile Loyalty and Vouchering solution developed by QuenIT integrated with the EniPay payment app (which can be used both in self-service mode and for payment at the counter in e-commerce mode) was made available on the first one thousand eni service stations.

At its meetings on 16 June and 27 July 2016, UniCredit Business Integrated Solutions Board of Directors approved the implementation of the Link project, which provides for the transfer to the company SIA S.p.A. of the electronic money business currently managed by the Cards Product Line of UniCredit Business Integrated Solutions S.C.p.A. and by UniCredit Business Integrated Solutions Austria GmbH, and the concurrent signing of a ten-year outsourcing contract for the provision by SIA group companies of processing services previously managed by the Card Factory.

At the reporting date UniCredit Business Integrated Solutions no longer held the investment in Consorzio QuenIT, which was sold to P4cards S.r.l. as part of the Link project.

Associated companies

Accenture Back Office and Administration Services S.p.A.

The company ABAS S.p.A. is a joint venture between the UniCredit group and the Accenture Group and is dedicated to the supply of back-office services for the accounting cycle.

With effect from April 1, 2013, following the sale of its Invoice Management business unit, UniCredit Business Integrated Solutions S.C.p.A. holds a 49% stake in ABAS S.p.A.

During the fourth year of operations ABAS continued to carry out the activities covered by the contract without any major issues.

As regards Invoice Management, in the course of 2016 the service levels (SLAs) recorded were better than the expected target despite the service levels of the beneficiary companies (Operation Level Agreement) were not achieved.

The main events are presented below:
- start, as of March 2016, of the new Utilities Management and Mandate Issue and Reconciliation services in the Real Estate Administration area;
- as of March 2016, performance by a team of Accenture Corporate of an Internal Audit on the ABAS joint venture covering the Finance, Human Resources, Payroll, Procurement and Information Technology areas. The audit results confirmed that the processes adopted in the covered areas are 'compliant' and no risk areas were identified.

With regard to the Application Outsourcing (AO) services, the service levels recorded were in line with the expected target, without any significant criticality.

As for the two "UniCredit Business Integrated Solutions Application Cluster" and "UniCredit Application Cluster" areas, approximately 5,800 tickets were received and managed during the year, down almost 50% on the previous year; the results show that the SAP solution should now be considered stable, although evolution maintenance activities continue to be significant.

With regard to the “UniCredit Business Integrated Solutions Application Cluster” area, evolution maintenance activities included the "My Supply" initiative designed to optimize and automate processes to manage relations with suppliers.

Finally, the Infrastructure Outsourcing services revealed no particular operational issues, ensuring a stable and monitored service, in line with expected service levels.

In November 2016, ABAS and UniCredit signed a 7-year "Document Management" contract.

The company closed the financial year on August 31, 2016, recording profit for the year of €280,727 and revenue from sales and services of €14,837,393.

The shareholder Accenture Managed Services S.p.A. is responsible for the operative, economic and financial management, also owing to agreements laid down in the shareholder agreement stipulated by the parties.

The number of employees at August 31, 2016 amounted to 99, of which 78 at the office in Trieste and 21 in Rome. The number of part-time resources amounted to 34, including 28 at the office in Trieste and 6 in Rome.

As for ongoing disputes, the first instance court issued a favorable judgment in the class action brought before the Court of Trieste by ABAS employees.

ES Shared Service Center S.p.A.

The company, created in 2012 – in which UniCredit Business Integrated Solutions S.C.p.A. holds a 49% stake in the share capital, is a joint venture between the UniCredit group and the Hewlett Packard Group (now Hewlett Packard Enterprise - HPE) with the aim of carrying out the services established in the agreement signed on April 24, 2012, regarding services in the Human Resource area.

In particular, this agreement between ES Shared service Centre S.p.A. (ES SSC) and UniCredit Business Integrated Solutions S.C.p.A., with a term of 15 years, is aimed at management of administrative services for the UniCredit group Human Resource.

ES Shared Service Centre S.p.A. will work, on the one hand, to achieve increased levels of efficiency over time, in order to reduce the service costs to the UniCredit Group and, on the other hand, to pursue an external-market development strategy that enables third-party customers to be acquired and additional business to be generated.

HP is responsible for the economic, financial and operative management of the company.

In 2016, the migration of IT procedures (hardware and software) of UniCredit Business Integrated Solutions, Italy and Austria, on HPE systems continued.

Some significant releases also took place in Italy during 2016; in March the activation of the Compensation & Bonus Pool processes and in October the transfer of Time Mgmt processes, from UniCredit Business Integrated Solutions systems to SAP systems.

Equity investments (Segue)

Associated companies (Continued)

In the course of 2017, the migration program of HR procedures to the SAP system will be completed.

Value Transformation Services S.p.A.

The executive plan of the Gibson project was completed with the transfer by UniCredit Business Integrated Solutions S.C.p.A. on September 1, 2013, of its "Technological Infrastructures" business unit, involving both Italy and Germany, to the NewCo, Value Transformation Services S.p.A. (V-TServices), established and controlled by IBM Italia S.p.A..
Thereafter, UniCredit Business Integrated Solutions S.C.p.A. holds a 49% stake in the share capital of V-TServices.

The shareholder IBM Italia S.p.A. is responsible for the operative, economic and financial management of V-TServices, also owing to agreements laid down in the shareholder agreement stipulated by the parties. We also note that the service agreement signed by UniCredit Business Integrated Solutions S.C.p.A. and V-TServices at the same time as completing the company operation, laid down governance mechanisms aiming to guarantee the appropriate monitoring by and involvement of UniCredit Business Integrated Solutions management, in all matters and decisions relevant to the quality and economics of the service provided.

Launched in 2014, with the cooperation of V-TServices, the Disaster Recovery Program is proceeding with the implementation of safety measures in the IT assets supporting the systemic and critical processes, in accordance with the new regulatory requirements of Circular 263 of the Bank of Italy.

The implementation activities related to the systemic perimeter have been completed and successfully tested. The activities related to the critical perimeter are currently under implementation, and will be completed by December 2016 in order for the final test to be performed in the first quarter of 2017. The resiliency initiative, which originated from the analyses carried out during the DR program, will continue in the coming year.

In the course of 2016, the fifth amendment (19/04/2016) to the contract with V-TServices was signed, with retroactive effect from January 1, 2016; the amendment envisages the reopening of the Network tower through sub-towers, reducing the baseline charge on certain TLC contracts (Austria and Slovakia)that were neither novated nor identified during the Post Contract Verification closed in December 2014, and finally the elimination from the Contract of a service recipient, resulting in RRC delivery to UniCredit Business Integrated Solutions.

During the year the benchmarking activities regarding the Mainframe tower were initiated and completed, which showed a positive result as regards UniCredit Business Integrated Solutions' fee compared to market average. The Risk Assessment of the contract with V-TServices was also updated.

As part of the Gibson Transformation Program, 22 projects were completed under the contract with V-TServices; as a result, during the year greater system standardization was achieved, more precise monitoring systems were introduced and the Private Cloud environment was set up.

On December 23, 2016, the outsourcing contract between UniCredit Business Integrated Solutions, V-TServices and IBM was renegotiated, providing for:
- the extension of the term of the 3-year contract until 2026;
- the review of volumes taking into account actual consumption to date and the review of prices;
- a new transformation plan to reflect new technological trends (e.g. cloud enablers), and further optimization of the IT infrastructure and of network performance;
- definition of an improved contractual governance both through the implementation of new tools and metrics and by strengthening the data flow, thereby leading to better service quality.

Other information

Company management and control disclosure

UniCredit Business Integrated Solutions S.C.p.A. belongs to the UniCredit Banking Group and is subject to the management and coordination of UniCredit S.p.A..

Transactions with Group companies

UniCredit Business Integrated Solutions S.C.p.A. provides the Group companies/banks with outsourcing services.
The Group companies/banks provide UniCredit Business Integrated Solutions S.C.p.A. with various services including:

- financial services, granting of credit lines and loans;
- internal auditing services;
- property leasing services;
- various administrative services including staff administration.

The company has adhered to the Italian tax consolidation regime with the parent company UniCredit S.p.A. since financial year 2004.
All transactions with Group companies are regulated by market conditions.
For more information, please refer to "Transactions with related parties".

Treasury shares and parent-company shares in the portfolio

In accordance with Article 2428 of the Italian Civil Code, please note that the company does not hold and has not held at any point during the financial year in any way, any treasury shares or shares in the parent company.

Research and development

Expenses connected with research for projects aimed at creating intangible assets are carried on the income statement.
Expenses connected with the development of projects aimed at creating intangible assets, notably the development of software applications, are carried as Intangible assets if they meet the criteria laid down by IAS 38.

Italian Legislative Decree No. 231/01 – Administrative liability of legal entities

UniCredit Business Integrated Solutions S.C.p.A. has Organizational and Management Model and Decision-Making Protocols intended to prevent the offenses in object. These protocols lay down rules to be followed when carrying out at-risk activities. The protocols are also completed and supplemented by the company regulations and by the UniCredit group Integrity Charter, which is driven by a healthy, transparent, fair approach to company management and complies with the needs expressed by Italian Legislative Decree No. 231/2001.
A collegial Control Body has also been set up, with the task of updating protocols and monitoring their compliance.

Events occurring after the reporting date

The publication of the financial statements is authorized by the Ordinary Shareholders' Meeting, which approves the statutory financial statements.
No events took place that would require the results given in the financial statements as at December 31, 2016 to be adjusted.

Analysis of financial position

Balance sheet analysis

(Amounts given in millions of €)

	AMOUNTS AT	
	12.31.2016	12.31.2015
NON CURRENT ASSETS	**1,587.7**	**1,755.0**
Property and equipment	*195.6*	*213.5*
Intangible Assets	*1,116.0*	*1,281.0*
Financial Assets Availables for Sales	*0.0*	*0.0*
Equity Investment	*54.7*	*54.7*
Tax Assets Prepaid	*73.4*	*61.8*
Other Non Current Assets	*148.0*	*144.0*
CURRENT ASSETS	**1,424.4**	**752.2**
Left-over Stock	*0.1*	*1.8*
Trade Receivables	*361.8*	*179.7*
Current tax payables	*81.6*	*8.5*
Other current assets	*764.2*	*354.3*
Cash and equivalents	*216.7*	*207.9*
TOTAL ASSETS	**3,012.1**	**2,507.2**
EQUITY	**332.9**	**373.4**
Share capital	*237.5*	*237.5*
Legal Reserve	*6.3*	*6.3*
Valutation Reserve and other reserves	*86.5*	*129.4*
Profit (Loss) for the year	*2.6*	*0.2*
NON CURRENT LIABILITIES	**481.3**	**322.4**
Long-term borrowings	*0.0*	*0.0*
Deferred tax liabilities	*0.4*	*0.4*
Personnel funds	*161.7*	*124.0*
Provisions for risks and charges	*217.4*	*171.9*
Other non-current liabilities	*101.8*	*26.1*
CURRENT LIABILITIES	**2,197.9**	**1,811.4**
Short-term borrowings	*1,644.9*	*1,250.0*
Current tax liabilities	*40.4*	*40.8*
Trade payables	*389.7*	*396.4*
Other current liabilities	*122.9*	*124.2*
TOTAL LIABILITIES	**3,012.1**	**2,507.2**

A comparison between the data at 31/12/2016 and those at 31/12/2015 shows the following changes:

Property plant and equipment (€195.6 million), compared to the previous year (€213.5 million) recorded a decrease (€17.9 million): this reduction is equal to the difference between additions (€71.3 million), depreciation (€67.1 million), disposals (€20.1 million), impairment losses (€1.2 million) and other changes (€0.8 million).

Intangible assets (€1,116.0 million), decreased by €165.0 million over the previous year (€1,281.0 million) due to the difference between additions in the year (€378.0 million), amortization (€294.1 million), disposals (€31.0 million) and impairment losses (€217.8 million).

Equity investments, amounting to €54.7 million, were substanstially unchanged; the investment in QuenIT was sold to the company P4cards S.r.l. as part of the Link project. The full list of investments is provided in the specific section of the Notes.

Other non-current assets have increased by € 4.0 million, almost exclusively due to the breakdown of the improvements to leased properties along the revised duration of leases.

Current assets show an increase (€672.2 million) mainly due to:
- the value of the proceeds, not yet collected, from the sale of the entire investment in the P4cards S.r.l. to SIA S.p.A.. (€494.9 million);
- higher cash balances €8.8 million;
- increase in Trade receivables (€182.1 million) mainly attributable to adjustments for 2016 on Outsourcing, Back Office and Real Estate services;
- the increase in Ires tax receivable for the year (€78.4 million) partially offset by the derecognition of the item Advances to suppliers related to V-TServices and recorded in the financial statements of UniCredit Business Integrated Solutions for an amount of €238.5 million at 31.12.2016 as a result of the renegotiation and the substantive changes made to the contract.

Shareholders' equity decreased as a result of the change made to the Provisions for Personnel Italy and Germany after allocation of actuarial gains/losses to pension funds and to the employment severance pay (TFR); this change was introduced starting from January 1, 2013 following the changes introduced to the standard IAS 19 ('IAS 19R'). The change in this item was also due to the merger of UGBS GmbH in UniCredit Business Integrated Solutions S.C.p.A., which took place on April 1, 2016, for an amount of € 15,313,254, as difference between the price paid and the net asset value of the business unit.

The increase in **Non-current liabilities** (€158.9 million) is mainly due to the increase in the Provision for risks and charges (€45.5 million), mainly as a result of provisions set aside in relation to the new redundancy Plan Italy 2016/19 and Germany, and to the Other Non-current liabilities (€75.7 million) for Employee provisions for voluntary Redundancy incentives as provided by the Business plans signed with the Trade Unions and for seniority Premiums payable to employees that reach 25 and 35 years of service.

Current liabilities increased by €386.5 million mainly due to an increase in current financial payables (€394.9 million) which reflects the extension of the loan granted by the Parent Company, partially offset by a decrease in Trade payables (€6.7 million) with third party suppliers and parent companies and in Other current liabilities (€1.3 million).

Analysis of profit figures

(Amounts given in millions of €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015
REVENUES	**2,529.0**	**2.364,0**
NET INTEREST	0.6	-1.4
DIVIDENDS AND EQUITY INVEST. INCOME	0.3	0.3
NET COMMISSION AND FEE INCOME	-1.4	-1.9
BALANCE OF OTHER OP. INCOME/EXPENSES	2,529.5	2,367.0
OPERATING EXPENSES	**-2,800.8**	**-2,254.2**
STAFF EXPENSES	**-501.1**	**-480.9**
- GROSS EXPENSES	*-565.2*	*-535.9*
- CAPITALIZED INTERNAL EXPENSES	*64.1*	*55.0*
OTHER ADMINISTRATIVE EXPENSES	**-1,807.0**	**-1,526.2**
DIRECT OAE	**-1,638.4**	**-1,400.0**
- GROSS EXPENSES	*-1,901.3*	*-1,707.9*
- CAPITALIZED EXTERNAL EXPENSES	*262.9*	*307.9*
INDIRECT OAE	**-168.6**	**-126.2**
EXPENSES RECOVERY	**87.5**	**93.9**
WRITE DOWNS OF TANGIBLE/INTANGIBLE ASSET	**-580.2**	**-340.9**
GROSS OPERATING MARGIN	**-271.8**	**109.8**
PROFIT FROM SALES OF INVESTMENTS	**445.7**	**0.0**
PROVISIONS FOR RISK AND CHARGES	**-53.2**	**-54.4**
INTEGRATION COSTS	**-135.4**	**-47.4**
INCOME TAXES	**17.1**	**-7.7**
NET PROFIT FOR THE PERIOD	**2.6**	**0.2**

The **profit for the period** at December 31, 2016 amounted to €2.6 million (€0.2 million at December 31, 2015).

The item **Revenues** increased by €165.0 million, mainly due to the adjustments for outsourcing services provided to the Parent Company.

Dividends were collected from the subsidiary V-TServices S.p.A. (€0.3 million).

Operating costs for the same comparative period posted an increase of €546.6 million.

Specifically, a comparison between the figures at December 31, 2016 and those for the same period of the previous year shows:

- higher **Costs of personnel - Gross costs** for €29.3 million mainly due to higher costs for salaries (€37.8 million) following the merger of UGBS GmbH in UniCredit Business Integrated Solutions in the early months of 2016, partially offset by a decrease in Other employee benefits of €15.3 million for releases on Individual bonuses and lower costs for seconded personnel for €1.1 million;
- an increase in capitalized **Personnel costs** amounting to €9.1 million due to an increase in design activities performed by in-house personnel;
- higher **gross direct and indirect OAE costs**, amounting to €280.8 million, mainly due to:
  - ICT services: the increase in the amount of € 259.6 million was mainly due to contract renegotiation and the substantive changes made to the contract with V-TServices, in accordance with IAS 38 Intangible Assets; in addition, upon expiration of the right to pre-paid services, we "derecognized" the item Advances to suppliers recorded in the financial statements of UniCredit Business Integrated Solutions for an amount of €238.5 million at 31.12.2016;
  - System support services: the reduction (€ -14.4 million) is mainly due to the recognition of extraordinary income for non-recurring gains related to the write-off of invoices to be received in previous years.

The item **Recovered Costs**, amounting to €87.5 million, refers to costs recovered from the joint ventures V-TServices S.p.A. (€64.0 million), ABAS S.p.A. (€0.4 million), ES SSC S.p.A., from third-party customers (€21.3 million) and other recoveries (€1.8 million).

The item **Amortization and Depreciation**, amounting to €580.2 million; the increase of €239.3 million compared to the figure in the 2015 financial statements, mainly reflects the recognition in November and December 2016 of impairment losses on Software assets, as a result of the Decommissioning program which identified software applications no longer in use and to be divested for € 217.8 million and unused machinery for € 1.2 million.

The voice **Profit on investment** maily due to the sale to SIA S.p.A. on 31/12/2016 of the investment in P4cards, recognized in the accounts for €49.2 million and sold at a price of € 494.9 million.

The main extraordinary events that marked the year 2016, and the income statement items affected as a result, are summarized below to facilitate a comparison with the previous year:

- Derecognition of the item Advances to Suppliers for € 238.5 million following the renegotiation of the outsourcing contract with V-TServices and corresponding increase for the same amount of the item Costs for Services;
- Impairment loss of € 219.3 million mainly due to computer applications no longer in use. The income statement item affected is Amortization, depreciation and impairment losses;
- New redundancy plan for managers and employees in Italy and Germany for a total of € 135.5 million which generated an increase in the item personnel costs. This cost has also resulted in an increase in revenues of the same amount;
- Disposal of the "Cards Factory" division to SIA S.p.A. for a price of € 500 million with positive impact on the income statement item Net income from discontinued operations of € 445.7 million. This item also included € 13 million of revenues from services provided to companies outside the Group and € 46.4 million of costs related to the division sold.
- Merger by absorption of the company UGBS GmbH with effect from April 1. This transaction had a positive impact on revenues for approximately € 78 million and generated higher costs of € 70 million of which 48.7 in the item personnel costs, as well as an impact on equity of € 15.3 million.

Proposals to the Shareholders' meeting Financial Statements

Dear Shareholders,

We ask you to approve the Report on Operations, the Balance Sheet, the Income Statement and the Notes as at December 31, 2016 of UniCredit Business Integrated Solutions S.C.p.A..

The Income Statement for the year 2016 shows a net profit of € 2,572,182; accordingly, the distributable profit amounts to € 2,572,182.

The Board of Directors also proposes to allocate the net profit for the year as follows:

Allocation of net profit

(Amounts given in units of €)

Profit for the year	2,572,182
to the statutory reserve, pursuant to Article 2430 of the Italian Civil Code (5% of net profit, up to 20% of the share capital)	128,609
the extraordinary reserve	2,443,573

For the sake of completeness, the breakdown of shareholders' equity after the above allocation is reported below:

Shareholders' equity after allocation

(Amounts given in units of €)

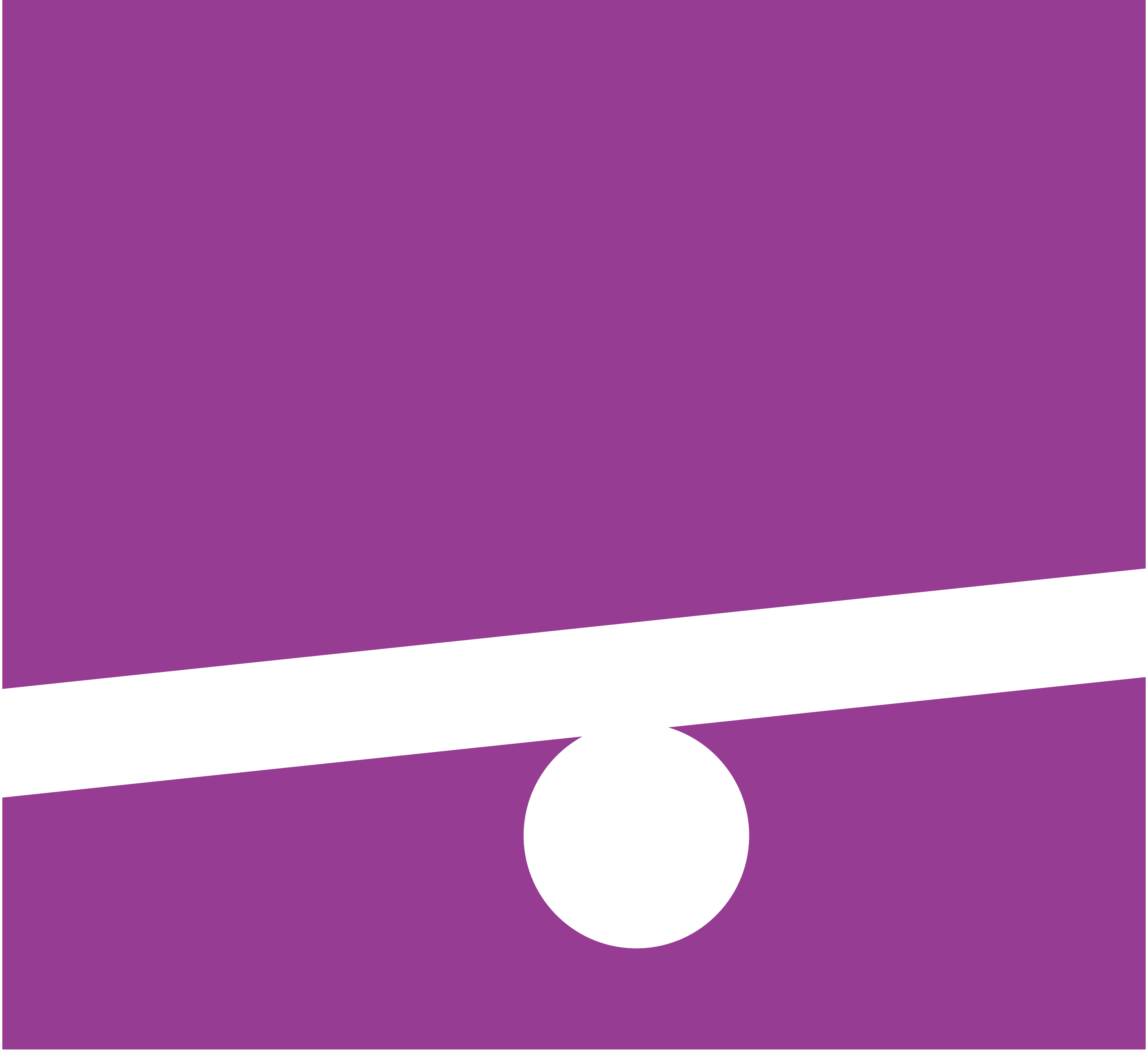
Share capital	237,523,160
Statutory reserve	6,446,783
Valuation reserve	-108,702,995
Other reserves	197,654,498
Total shareholders' equity	**332,921,446**

Milan, March 7, 2017

On behalf of the Board of Directors

The CEO

Risk Management



In order to be successful in what we do we must take risks, but we must rigorously manage our risks. We must be fully aware of the impacts of our decisions, we must take risks but we must take the right risks. And to do that, we must apply strong risk management to everything we do.

Financial Statements

Financial Statements

Balance sheet

Assets

(Amounts given in €)

	12.31.2016	12.31.2015	VARIATION
NON CURRENT ASSETS	**1,587,711,692**	**1,755,007,668**	**-167,295,976**
Tangibles assets	**195,584,323**	**213,476,024**	**-17,891,701**
Lands and Buildings held for functional use	4,616,744	4,765,015	-148,271
Plants and Equipments	130,227,765	148,492,919	-18,265,154
Industrial and Commercial Equipments	1,859,866	2,804,752	-944,886
Other Assets	18,835,944	19,970,506	-1,134,562
Assets in Progress and Advance Paymens	40,044,004	37,442,832	2,601,172
Intangible Assets	**1,115,991,654**	**1,281,002,689**	**-165,011,035**
Industrial Patent Rights and use of intellectual Works	781,545,011	905,724,084	-124,179,073
Concessions, Licences, trademarks and similar	61,288,098	59,960,610	1,327,488
Other intangible assets	0	4,441	-4,441
Assets in Progress and Advance Paymens	273,158,545	315,313,554	-42,155,009
Aivalable-for-sale assets	**1,000**	**1,000**	**0**
Equity Investment	**54,683,155**	**54,688,655**	**-5,500**
Majority Shareholdings	50,157,961	50,163,461	-5,500
Shareholding in subsidiaries companies	4,525,194	4,525,194	0
Prepaid tax payables	**73,415,897**	**61,857,752**	**11,558,145**
Other non current activities	**148,035,663**	**143,981,548**	**4,054,115**
CURRENT ASSETS	**1,424,416,305**	**752,134,442**	**672,281,863**
Left-over Stock	**64,238**	**1,790,618**	**-1,726,380**
Trade receivables	**361,776,290**	**179,675,431**	**182,100,859**
Trade receivables	190,778,181	38,891,233	151,886,948
Receivables from subsidiaries	42,559,205	23,810,852	18,748,353
Receivables from parent companies	138,357,188	126,648,318	11,708,870
Receivables svalutation provisions	-9,918,284	-9,674,972	-243,312
Current tax payables	**81,633,717**	**8,458,815**	**73,174,902**
Other Current Activities	**764,267,632**	**354,259,504**	**410,008,128**
Cash and equivalents	**216,674,428**	**207,950,074**	**8,724,354**
TOTAL ASSETS	**3,012,127,997**	**2,507,142,110**	**504,985,887**

Liabilities

(Amounts given in €)

	12.31.2016	12.31.2015	VARIATION
NET EQUITY	**332,921,446**	**373,394,771**	**-40,473,325**
Share capital	**237,523,160**	**237,523,160**	**0**
Legal Reserve	**6,318,174**	**6,306,229**	**11,945**
Share Premium Reserve, Valuation Reserve, Other reserves	**86,507,930**	**129,326,479**	**-42,818,549**
Profit (Loss) for the year	**2,572,182**	**238,903**	**2,333,279**
NON CURRENT LIABILITIES	**481,244,215**	**322,438,300**	**158,805,915**
Long-term borrowings	**26,445**	**26,445**	**0**
Deferred tax liabilities	**350,755**	**435,108**	**-84,353**
Personnel funds	**161,672,162**	**124,041,129**	**37,631,033**
Employee severance indemnity	81,463,292	83,295,349	-1,832,057
Retirement provisions fund and similar obligations	80,208,870	40,745,780	39,463,090
Provisions for risks and charges	**217,360,428**	**171,863,566**	**45,496,862**
Other non-current liabilities	**101,834,425**	**26,072,052**	**75,762,373**
CURRENT LIABILITIES	**2,197,962,336**	**1,811,309,039**	**386,653,297**
Current financial liabilities	**1,644,855,310**	**1,250,048,333**	**394,806,977**
Current tax liabilities	**40,454,073**	**40,782,044**	**-327,971**
Trade payables	**389,698,844**	**396,355,293**	**-6,656,449**
Due to suppliers	338,129,466	347,471,884	-9,342,418
Due to subsidiaries	39,733,893	13,395,944	26,337,949
Due to parent company	11,835,485	35,487,465	-23,651,980
Other current liabilities	**122,954,109**	**124,123,369**	**-1,169,260**
TOTAL LIABILITIES	**3,012,127,997**	**2,507,142,110**	**504,985,887**

Income Statement

Profit & loss

(Amounts given in €)

	2016	2015	VARIATION
Revenues from sales and services	**2,520,022,234**	**2,341,312,993**	**178,709,241**
Other revenues and incomes	**187,243,526**	**186,762,294**	**481,232**
TOTAL VALUE OF PRODUCTION	**2,707,265,760**	**2,528,075,287**	**179,190,473**
Costs for raw materials, subsidiary material, consumables and goods	**8,364,559**	**14,396,508**	**-6,031,949**
Costs for services	**1,338,194,916**	**1,058,581,170**	**279,613,746**
Costs for use of third-party assets	**415,679,912**	**426,293,779**	**-10,613,867**
Personnel expenses	**619,292,810**	**511,415,387**	**107,877,423**
Wages and salaries	389,247,974	351,338,588	37,909,388
Social securities charges	99,980,656	97,691,142	2,289,514
Provisions for emploiment severance indemnities	1,438,495	1,628,055	-189,560
Accrual retirement provisions	11,301,227	6,530,878	4,770,349
Other personnel expenses	192,342,654	122,389,681	69,952,973
Recovery of personnel expenses	-11,125,164	-13,190,324	2,065,160
Wages and salaries capitalized	-63,893,032	-54,972,632	-8,920,400
Amortisation and impoirment losses	**566,369,935**	**327,696,554**	**238,673,381**
Amortization of tangible assets	60,501,947	62,840,945	-2,338,998
Amortization of intangible assets	286,598,235	256,623,226	29,975,009
Impairment losses	219,269,753	8,232,383	211,037,370
Provisions	**52,849,992**	**54,366,461**	**-1,516,469**
Other operating charges	**133,868,258**	**103,004,289**	**30,863,969**
Total cost of production	**3,134,620,382**	**2,495,754,149**	**638,866,233**
GROSS OPERATING MARGIN	**-427,354,622**	**32,321,138**	**-459,675,760**
Financial income	**1,410,413**	**1,471,041**	**-60,628**
Financial expenses	**857,664**	**3,487,005**	**-2,629,341**
Profit from cleared assets	**412,227,830**	**22,353,584**	**389,874,246**
Profit (Loss) before taxes	**-14,574,043**	**7,951,590**	**-22,525,633**
Profit (Loss) before taxes	**-17,146,225**	**7,712,687**	**-24,858,912**
Current taxes	35,777,576	22,174,835	13,602,741
Deferred tax asset	-52,839,448	-14,437,396	-38,402,052
Deferred tax liabilities	-84,353	-24,752	-59,601
PROFIT (LOSS) FOR THE YEAR	**2,572,182**	**238,903**	**2,333,279**

Statement of comprehensive income

(Amounts given in €)

ITEMS	2016	2015
Profit (loss) for the year	**2,572,182**	**238,903**
Other comprehensive income net of taxes not reversed to Income Statement		
Property, plant and equipment		
Intangible assets		
Defined benefit plans	-38,179,854	5,618,780
Non-current assets held for disposal		
Share of the fair value reserves of equity-accounted investees		
Other comprehensive income net of taxes reversed to Income Statement		
Hedges of a net investment in foreign operations		
Exchange rate gain / losses		
Cash flow hedges		
Available-for-sale financial assets		
Non-current assets held for disposal		
Share of the fair value reserves of equity-accounted investees		
Total other comprehensive income net of taxes	**-38,179,854**	**5,618,780**
Total comprehensive income (Voce 10+130)	**-35,607,672**	**5,857,683**

Statement of changes in equity

Net equity variations

(Amounts given in €)

NET EQUITY VARIATIONS REPORT YEAR 2016	SHARE CAPITAL	LEGAL RESERVE	VALUATION RESERVE	OTHER RESERVES	PROFIT (LOSS) CURRENT OR PREVIOUS YEAR	TOTAL NET EQUITY
Values at 12.31.2014	**237,523,160**	**6,111,398**	**-76,141,921**	**196,147,833**	**3,896,618**	**367,537,088**
Movements for the year 2015						
Recording of UniCredit Business Integrated Solutions S.c.p.A. 2014 net profit to "Legal Reserve" and to "Other reserves" as approuved by shareholders'meeting held on 04.29.2015	0	194,831	0	3,701,787	-3,896,618	0
Valuation reserve: net income (losses) on defined benefit plans	0	0	5,618,780	0	0	5,618,780
Profit (Loss) of the period					238,903	238,903
Values at 12.31.2015	**237,523,160**	**6,306,229**	**-70,523,141**	**199,849,620**	**238,903**	**373,394,771**
Movements for the year 2016						
Recording of UniCredit Business Integrated Solutions S.c.p.A. 2015 net profit to "Legal Reserve" and to "Other reserves" as approuved by shareholders'meeting held on 04.12.2016	0	11,945	0	226,958	-238,903	0
Valuation reserve: net income (losses) on defined benefit plans	0	0	-22,866,600	0	0	-22,866,600
Merger UGBS Gmbh	0	0	-15,313,254	-4,865,653	0	-20,178,907
Profit (Loss) of the period					**2,572,182**	**2,572,182**
Values at 12.31.2016	**237,523,160**	**6,318,174**	**-108,702,995**	**195,210,925**	**2,572,182**	**332,921,446**

Cash Flow Statement - indirect method

(Amounts given in €)

CASH FLOW - INDIRECT	AMOUNTS AT 12.31.2016	12.31.2015
A. NET CASH FLOW GENERATED BY OPERATIONS	**-166,445,671**	**262,027,550**
Profit for the year	*2,572,182*	*238,903*
Amortization of property and equipment	*60,501,947*	*67,540,938*
Amortization of intangible assets	*286,598,235*	*265,216,904*
Income from cleared property and equipment depreciation	*6,629,890*	*4,699,993*
Income from cleared amortization of intangible assets	*7,495,988*	*8,628,898*
Variations in trade receivables	*-182,100,859*	*-240,888,852*
Variations in trade payables	*-6,656,449*	*-33,167,216*
Variations in personnel funds	*37,631,033*	*-7,529,196*
Variations in current / deferred fiscal assets and liabilities	*-85,145,371*	*6,897,948*
Variations in provisions for risk and charges	*45,496,862*	*96,739,505*
Variations in other assets/liabilities	*-339,469,130*	*93,649,725*
B. NET CASH FLOW BY INVESTING ACTIVITIES	**-176,596,944**	**-469,404,668**
Investments in property and equipment	*-49,240,136*	*-71,311,689*
Investments in intangible assets	*-129,083,188*	*-398,323,178*
Changes in inventory	*1,726,380*	*230,199*
Investments in financial assets	*0*	*0*
C. NET CASH FLOW GENERATED BY FINANCING ACTIVITIES	**351,766,970**	**354,880,418**
Variations in share capital	*0*	*0*
Variations in reserves	*-43,045,507*	*5,618,780*
Variations in UniCredit S.p.A. Financing	*394,806,976*	*349,261,638*
Variations in Equity Investments	*5,500*	*0*
CASH FLOW FOR THE YEAR (A+B+C)	**8,724,354**	**147,503,300**
TOTAL CASH FLOW	**8,724,354**	**147,503,300**
Cash and equivalents at the beginning of the year	**207,950,074**	**60,446,774**
Current accounts	*207,908,755*	*60,431,831*
Cash in hand	*41,319*	*14,943*
Cash and equivalents at the end of the year	**216,674,428**	**207,950,074**
Current accounts	*216,647,196*	*207,908,755*
Cash in hand	*27,232*	*41,319*

Notes to the Financial Statements

Accounting policies

General

Statement of compliance with international accounting standards

These Financial Statements for the period ended 31 December 2016 were drawn up in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC) recognised in the European Union under the terms of Regulation (EC) No. 1606/2002 and in force at the end of the year, as well as with orders issued to implement Art. 9 of Italian Legislative Decree No. 38 of 28 February 2005.

General accounting criteria

The fundamental assumptions guiding the entire preparation of the financial statements in accordance with IAS 1, are the following:

a. going concern: assets, liabilities and "off-balance-sheet" transactions are evaluated on a going concern basis, as they are intended to last over time;
b. accrual principle: revenues and expenses are recognized in the period in which they accrue in relation to the underlying services received and supplied, irrespective of the date of monetary settlement;
c. consistent presentation: to ensure comparability of data and information contained in financial schedules and statements, the representation and classification criteria are maintained over time, unless their change is required by an international accounting standard or interpretation, or is aimed at making the reported values more understandable and reliable;
d. materiality and aggregation: each material class of elements with a similar nature or function is shown separately in the balance sheet and income statement; elements having a different nature or function, if material, are recognized separately;
e. prohibition to offset: offsetting amounts is not permitted, unless it is provided for or allowed by international accounting standards or by an interpretation of such standards;
f. comparison with the previous year: the financial statements and schedules report the values of the previous year, adjusted where necessary to ensure comparability.

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the related Notes to the Financial Statements.

In the balance-sheet, assets and liabilities are classified according to the current/non-current criterion. Current assets, which include cash and cash equivalents, are those destined to be realised, sold or consumed in the normal operating cycle of the company or in the twelve months after the end of the financial year. Current liabilities are those which are expected to be extinguished in the normal operating cycle of the company or in the twelve months after the end of the financial year.

The Income Statement is classified on the basis of the nature of the costs, while the Cash Flow Statement is presented using the indirect method, adjusting the Profit for the period by the other components of a non-monetary nature. Costs and revenues, assets and liabilities are not offset against each other, except where required by an accounting standard and/or its interpretation, in order to make the financial statements clearer and more communicative.

The Notes to the Financial Statements are intended to describe and analyse financial statements data as required by order 262 of the Bank of Italy of 22 December 2005, as amended.

The Notes also provide all supplementary information, including if not specifically required by law, which are deemed necessary to give a true and fair view of the financial statements.

In accordance with the provisions of art. 5 of Legislative Decree no. 38/2005, the financial statements are prepared using the euro as reporting currency. The amounts in the Accounting schedules and in the Notes to the Financial Statements are expressed in euros.

Use of estimates

In accordance with the IFRSs, preparation of the Financial Statements requires estimates and assumptions which have an effect on the values of balance sheet assets and liabilities and on the associated information, as well as on the contingent assets and liabilities at the reference date. The estimates and related assumptions are based on past experience and other factors considered reasonable in the circumstances. They are adopted when the book value of the assets and liabilities cannot easily be deduced from other sources.

The estimates are used to recognise provisions for risks and charges, amortisation and depreciation, impairment losses and estimate of the useful life of the activities, employee benefits, taxes and other provisions and reserves. The estimates and assumptions are reviewed regularly and the effects of each change are recognised in the Statement of Comprehensive Income, if it involves only that period. If the reappraisal concerns both current and future periods it is recognised in both current and future periods as appropriate.

The quantification of this risk is mainly dependent on both the evolution of the national and international socio-economic environment and the performance of financial markets, which affect interest rates, price fluctuations, actuarial assumptions and more generally, the counterparties' creditworthiness.

Duration of the Company

The Company has a fixed term until 2050, as provided for in the By-laws.

Main Accounting Items

Property, plant and equipment

The item includes the following assets used in the business:

- land and buildings;
- plant and machinery;
- industrial and commercial equipment;
- other assets;
- work in progress and advances.

These assets are recognised at their purchase cost inclusive of the expenses directly attributable to the commissioning of the asset stated net of the associated depreciation and any impairment losses determined according to the methods described below. The cost of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the asset, if necessary and significant. Routine maintenance costs are recognized in the statement of comprehensive income, while replacement costs of an entire asset or some parts of it and extraordinary maintenance costs are capitalized when it is probable that they will generate measurable economic benefits in the future.
Financial expenses associated with the purchase of the plant or equipment are recognised in the Income Statement in the year of accrual, unless they are directly attributable to acquisition of an asset which justifies their capitalisation.

Improvements to third-party assets recognised under the item Other non-current receivables are recognised at the purchase price net of the related depreciation determined on the basis of the lower between the period of residual use and the term of the rental contract.

Intangible assets are written off the balance sheet upon disposal or when no future economic benefits are expected from their use.

Depreciation

Plant and equipment is depreciated systematically on the basis of its useful life, which is reviewed at least once a year, taking into consideration any changes in the intensity of use of the assets.

For assets purchased and put into operation during the year, the depreciation period is calculated on the basis of actual days of contribution to the production cycle.

Any changes in the depreciation schedules are made with prospective application. If events occur which provide indication of a possible impairment of a single asset, or when there are significant reductions in its market value, significant technological changes or significant obsolescence, the residual value is subject to verification on the basis of an estimate of the present value of estimated future cash flows and adjusted accordingly, where necessary. In case of reversal of an impairment loss of an asset previously written down, the new book value cannot exceed the net book value net of any previous write-downs.

Intangible assets

Intangible assets, all with a finite useful life, are recognised at the purchase cost when it is probable that the use of these assets will generate future economic benefits and the associated cost can be reliably determined.

The cost includes the directly attributable ancillary expenses necessary to make the assets available for use. Intangible assets are recognised net of the associated amortisation accumulated and of any impairment losses, determined in accordance with the methods described below. Amortisation is calculated on a straight-line basis along the estimated useful life, which is re-examined every year; any changes to the amortisation criteria are applied prospectively.

Accounting policies (Continued)

Amortisation begins when the intangible asset is available for use.

Intangible assets may be attributed an indefinite useful life when, based on an analysis of all relevant factors, it is determined that there are no predictable time limits to the ability of the asset to generate future cash flows. Goodwill and intangible assets with indefinite useful life are not amortized. For these assets, although there are no indications of impairment, the carrying amount is compared annually with their recoverable value (impairment test) at least once a year.

Intangible assets mainly consist of software created within the company and software user licences.

Impairment of assets

Property, plant and equipment and intangible assets are analysed, at least once a year, in order to identify impairment indicators; if there is an indication of impairment their recoverable value is estimated.

As regards intangible assets not yet available for use, the recoverable value is estimated at least once a year. The recoverable value is the greater of the fair value, less costs to sell, and the related value in use.

Impairment is recognised in the Income Statement if the carrying amount of the asset to which it is allocated is higher than the recoverable value.

Impairment of an asset is reversed when there is an indication that the impairment has been reduced or no longer exists or when there has been a change in the valuations used to determine the recoverable value.

Financial assets

Available-for-sale financial assets consist of equity investments that may not be classified as investments in subsidiaries, jointly-controlled entities or associates.
This category includes securities that the Bank does not intend to trade in the short term and which, given their nature and subjective characteristics, cannot be included in other categories. These assets are held for an indefinite period of time.

Financial assets available for sale are initially recognized at fair value, which generally corresponds to the transaction cost including expenses and net of fees.

Subsequently these investments are measured at fair value. Gains and losses arising from changes in fair value are recognized in equity until the financial asset is sold, at which time the gains and losses are recognized in the income statement. For losses deriving from objective evidence of impairment, the accumulated reserve in equity must be reversed.

Equity instruments whose fair value cannot be reliably determined are recorded at cost, which is adjusted if there is objective evidence of impairment.

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or when the financial asset is sold and all the risks and benefits associated with ownership of the financial asset are transferred.

On disposal, the gains or losses from valuation accumulated in the reserve of available for sale financial assets are recognized in the income statement under Net income (loss) on disposal or repurchase.
Equally, when an impairment loss is recognized, the gains or losses from valuation accumulated are reversed in the income statement under Net impairment losses / reversals of impairment losses of available for sale financial assets, by adjusting the above mentioned specific reserve. Any additional impairment loss exceeding the mentioned reserve is charged under the same income statement item.
The reversals of impairment losses are recognized in the income statement, in the case of loans or debt securities, or in equity, in the case of equity securities.

Equity investments in controlled companies

Subsidiaries are companies that meet the definition of control in relation to the requirements of IAS 27, § 13.

Investments in subsidiaries are accounted for using the cost method (IAS 27, § 4); periodically, or if there are any warning events, the investments are tested for impairment (impairment test).

The investee Uni IT S.r.l., over which the Company has the power to determine the financial and operating policies, is measured at the purchase price inclusive of the making good of losses, and adjusted by the write-downs necessary to account for any impairment considered permanent. The investment in UniCredit Business Integrated Solutions Austria GmbH, acquired by way of contribution from UniCredit Bank Austria AG, is stated at cost, as defined in the contribution in kind, net of the surplus calculated in the expert appraisal. These book values coincide with the carrying amounts at which they were recognised in the contributor's Financial Statements and the investments are verified every year to check that they have maintained their book value.

Equity investments in associates

In accordance with IAS 28, § 2, associated companies are entities, including without legal personality, over which the Bank exercises significant influence.

Significant influence is presumed when the Bank, directly or indirectly, holds at least 20% of capital, or when it meets the requirements of IAS 28, § 7-10.
Investments in associates are carried at cost. Periodically, or if there are any warning events, the investments are tested for impairment (impairment test).

Investments are derecognized when the contractual rights to the cash flows arising from the assets expire or when the investment is sold and all the risks and benefits associated with it are substantially transferred.

Current and deferred taxes

Income taxes, calculated pursuant to national tax legislation, are entered at cost in the same period as that of the profits from which they derive.

They are recognized in the income statement under Income taxes for the year except those related to transactions directly recognized in equity, in which case the tax effect is also recognized in equity. Income taxes include current and deferred tax assets and liabilities. Current taxes are recognised on the basis of the estimate of the amount that the company expects to have to pay applying the tax rate in force at the reporting date.

Deferred income tax assets and liabilities are calculated on the differences between the values of the assets and liabilities recognised and the corresponding values recognised for tax purposes.

Deferred tax assets are recognised when their recovery is considered probable. Deferred tax liabilities are recognised in all cases in which the related debt is likely to arise.

Deferred tax assets and liabilities are periodically assessed to take into account any amendments in legal provisions or changes in rates. The tax rates used for the allocation of deferred taxes are those in force at the moment of preparation of the Financial Statements for the tax periods in which it is estimated that the temporary differences will be realised or extinguished.

To assess the correctness on the accounting for deferred tax assets an estimate is made of the probability that in future a taxable income sufficient for the recovery of the said taxes will be available. Both current and deferred tax assets and liabilities are offset if they are due to or from the same tax authority, if the payment period is the same and if there is a legal right to offset them.

Trade and Other Receivables

Trade receivables, generally with maturity of less than one year, are recognised at the fair value of the initial price increased by the transaction costs. After initial recognition, subsequent measurements are made using the amortized cost method, based on the effective interest method, calculated considering the specific solvency status of debtors.

At each annual or interim report, receivables are reviewed in order to identify those that, following events occurring after initial recognition, show objective evidence of possible impairment.

If in a subsequent period the impairment loss decreases, the loss recognised previously is partially or totally adjusted and the value of the receivable is written back for an amount which must not exceed the value of the amortised cost which it would have had if the loss had not been recognised.

Trade and other payables

Payables, securities issued and subordinated liabilities are initially recognized at their fair value, which corresponds to the consideration received, net of transaction costs directly attributable to the financial liability.

Accounting policies (Continued)

After initial recognition at fair value (fair value), these instruments are subsequently measured at amortized cost using the effective interest method. As an exception to this rule, short term liabilities are stated at the collected amount, if the time factor is negligible.
Financial liabilities are derecognized when they expire or are settled. Gains or losses upon settlement are recognized in the income statement when the buyback price of the obligation is higher or lower than its book value.

Foreign currency transactions

All amounts are stated in Euro. Transactions carried out in currencies other than the Euro are converted into Euro on the basis of the exchange rate at the transaction date.
The exchange differences arising from the settlement of transactions at rates different from those recorded on the original transaction date, and the unrealized foreign exchange differences on monetary assets and liabilities in foreign currencies not yet settled, are recognized in the income statement. Non-monetary assets and liabilities, recorded at historical cost, are translated at the historical rate.

Exchange differences on monetary items, arising between the transaction date and the date of payment, are recognized in the income statement for the year in which they arise.
When a gain or loss relating to a non-monetary item is recognized in equity, the exchange difference for that item is also recognized in equity.
When a gain or loss is recognized in the income statement, the associated exchange rate difference is also recognized in the income statement,.

Provisions for personnel

Provision for Employment Severance Pay

The Provision for Employment Severance Pay (TFR) is intended as a post-employment defined benefit plan; accordingly, its recognition in the financial statements requires that the amount of benefits accrued by employees be estimated, using actuarial methods, and subsequently discounted to present value.
These benefits are determined by an independent actuary, using the Projected Unit Credit Method.
Following the updating of the supplementary pension legislation, pursuant to Decree Law 252 of 05/12/2005, the amounts of leaving entitlements accrued until 31.12.2006 remain in the company, and continue to be regarded as a post-employment defined benefit plan and therefore subject to actuarial valuation, though using simplified actuarial assumptions that do not take into account forecasts on future pay rises.
The leaving entitlements accrued after 01/01/2007 are, at the employee discretion, either allocated to a supplementary pension fund or left in the company, which pays them to the INPS Treasury fund, and are considered as a defined contribution plan.
Under IAS 19, the provision for Employment Severance Pay (TFR) is classified as a "defined benefit plan" (Defined Benefit Plan) and its benefit is a post-employment benefit.
Under IAS 19, projections must be made of the provision for Employment Severance Pay (TFR), using appropriate actuarial techniques, in order to estimate the benefit to be paid to each employee upon termination of employment. The calculation should consider both the severance pay accrued for services already rendered to the company, and the revaluations provided for by art. 2120 of the Italian Civil Code until retirement.
The costs related to the employee leaving entitlements accrued in the year are recognized in the income statement under Personnel costs - Provision for Employment Severance Pay (TFR) and include interest accrued in the year (interest cost) on the liability already in place as at the introduction of the new legislation and the amounts accrued in the year paid into the supplementary pension funds or the INPS Treasury Fund.
Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the liability at period-end, are recognized in equity as part of valuation reserves.

Pension funds and similar obligations

A defined benefit plan guarantees employees a range of benefits upon termination of employment, dependent on factors such as age, years of service and offsetting requirements.
Present values are determined using the Projected Unit Credit Method.
This method spreads the cost of the benefit evenly over the employee's working life. The obligations are determined as the discounted value of the future average disbursements re-proportioned on the basis of the ratio between years of service accrued and length of service reached at the moment the benefit is disbursed.
The amount recognized as a defined benefit liability is equal to:
- present value of the defined-benefit obligation at the reporting date;
- any unrecognised actuarial gains/losses;
- any pension costs relating to past employment and not yet recognised;
- fair value at the reporting date of the assets serving the plan which are different from those that will be used directly to extinguish the obligations.

Actuarial gains/losses deriving from defined-benefit liabilities are recognised as a counter-item in net equity as part of the valuation reserve.

Long-term employee benefits

Long-term employee benefits - such as length of service bonuses, paid upon reaching a predefined number of years of service (25 and 35 years) - are recognized as Trade and other payables based on the assessment, at the reporting date, of the liability assumed, determined by an external actuary. For this type of benefits, actuarial gains/losses are immediately recognized in the income statement.

Provisions for risks and charges

Provisions for risks and charges are recognised against expenses for the company's legal or implicit obligations (contractual or of any other kind), deriving from a past event.
A provision for risks and charges is recognized when:

- there is a current obligation (legal or constructive) as a result of a past event;
- an outflow of resources embodying economic benefits is likely in order to settle the obligation;
- the amount of the obligation can be reliably estimated.

If it is estimated that these obligations will arise after twelve months and their effects are significant, they are discounted to the present at a rate which takes account of the cost of money and the specific risk of the liability recognised. Any change in the estimate of the provisions is reflected in the Statement of Comprehensive Income in the period in which it occurs.
For liabilities that are merely potential and not probable, no provision is made, but the nature of the liability is described in the notes.

Financial leasing

Financial leasing contracts are defined as those that transfer to the lessee substantially all the risks and rewards deriving from ownership of the asset. At the end of the contract ownership of the asset is not necessarily transferred to the lessee.
The financial essence of these contracts is that the lessee acquires the economic benefits from the leased asset for most of its economic life, against a commitment to pay a fee that is approximately equivalent to the fair value of the asset and the related financial costs. Recognition, in the lessor's financial statements, therefore occurs as follows:

- among assets, the value of the loan disbursed, net of the principal of the leasing instalments due and paid by the lessee;
- in the income statement, the interest received.

As regards the tenant, recognition in the financial statements occurs as follows:

- properties acquired in financial leasing are recognised under the item Land and buildings for business use;
- the financial payable for the instalments agreed with the lessor is recognised under the item Non-current financial payables;
- the interest payable under the item financial expenses.

Other information

Share-based payments

These are payments made to employees, as consideration for their services, based on shares representing the capital. They consist of the award of:

- rights to subscribe paid capital increases (stock options);
- rights to receive shares on achieving quantity and quality targets (performance shares);
- restricted shares.

Given the difficulty in reliably measuring the fair value of the services received against the instruments representing the Holding's share capital, reference is made to the fair value of these instruments, measured on their allocation date.
The fair value of share-based payments is entered as a cost in the Statement of Comprehensive Income under Personnel expenses to balance the item Trade and other payables and represents an amount payable to the parent company.
As regards share-based payments settled in cash, the benefits acquired and the liabilities assumed are measured at the fair value of the latter, recorded under Trade and other payables. Until the liabilities are settled, the fair value is recalculated on each reporting date until the date of settlement, and changes are recognised under the item Personnel expenses.

Accounting policies (Continued)

Information on Fair Value

Fair value measurements and disclosures are governed by IFRS 13 “Fair value measurement", which in paragraph 9, defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.
IFRS 13 is based on the definition of "market based fair value" (method based on market valuation) as the fair value of the asset or liability has to be measured according to the characteristics assumed by market participants.
Fair value measurement also assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for that asset or liability or, in the absence of a principal market, in the most advantageous market.
Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the inputs used, according to the following criteria:

- Level 1 - quoted prices (unadjusted) observed in active markets for the assets or liabilities to be measured (such as official stock market prices, prices contributed by several operators taken from the major information providers, etc.);
- Level 2 - inputs other than the quoted prices referred to above, which are directly (prices) or indirectly (derived from prices) observable on the market;
- Level 3 - inputs that are not based on observable market data.

A financial instrument is classified in levels 2 and 3 if there are no quoted prices in active markets.

Level 2
If there are no quoted prices in active markets, fair value is determined either through prices of similar financial instruments with the same risk (so-called comparable approach) or by using valuation techniques which use inputs directly or indirectly observable on the market (e.g. spreads, interest rate curves, volatility, etc.).

Level 3
This level includes fair values estimated through valuation techniques that use inputs not observable in the market (e.g. correlation, recovery ratio, etc.) or supplied by private counterparties (non operational quoted prices).
Third level inputs are also called mark-to-model inputs as before providing a measure of fair value they must be entered in more or less complex mathematical models internally developed by the company. It follows that reliability of the value thus obtained depends to a large extent, indeed almost exclusively, on the type and validity of the model used.

Companies have to use market prices (Level 1 inputs) whenever these are available: the existence of official quoted prices in an active market is therefore the best estimate of fair value. However there may be cases where the market is not smoothly functioning, such as, precisely, in a financial crisis, so that it becomes necessary to abandon the direct reference to market prices, which would be unavailable or otherwise insignificant, and to resort to other evaluation methods. These valuation models should primarily make use of observable market parameters (Level 2 inputs). Only if these are not available, may fair value be determined using valuation techniques which by their nature are largely discretionary, since they are based on estimates and assumptions made by the evaluator and are therefore difficult to verify (Level 3 inputs).

Statement of Comprehensive Income

Recognition of revenues
Revenues are recognised when they are received or, at least, in the case of sale of goods or products, when future benefits are expected and when such benefits can be reliably quantified and, in the case of performance of services, when they are rendered.

Financial income and expenses
Financial income and expenses are recognised when they accrue on the basis of the interest matured on the net value of the related financial assets and liabilities using the effective interest rate.
Financial income comprises interest income on the Company's liquidity, accrued interest in application of amortized cost, the changes in fair value of financial assets recognized in profit or loss, foreign exchange gains.
Expenses comprise interest expense on loans, expenses deriving from the application of the amortised cost and exchange losses.

Business risk management
The company provides services to customers belonging to the UniCredit group, making market risk substantially insignificant. Establishment as a consortium confirms its position as a captive company.
As regards foreign exchange risk, the Company carries out its activities in European countries outside the Eurozone (Romania and Poland), however given the insignificance of both the transactions and the results arising from translation of foreign currency items other than the euro, it does not adopt specific hedges.
For the same reasons explained above, there is no credit risk deriving from the possibility of the “default” of one of the company's counterparties, as these counterparties belong to UniCredit.
The considerable level of liquidity and capital assets, moreover, eliminates the liquidity risk deriving from the lack of financial resources to fulfil short-term financial commitments.
As for the operational risks of the company, reference is made to the specific paragraph in the Report on Operations.

Information on the balance sheet

Assets

Tangible and intangible fixed assets

Property, plant and equipment

A detailed breakdown of property, plant and equipment, amounting to €195,584,323 is provided in the table below.

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Property, plant and equipment			
- financial lease assets	**0**	**4,765,015**	**-4,765,015**
land	0	1,651,319	-1,651,319
buildings	0	3,113,696	-3,113,696
- owned	**195,584,323**	**208,711,009**	**-13,126,686**
land	1,651,319	0	1,651,319
buildings	2,965,425	0	2,965,425
plant and machinery	130,227,765	148,492,919	-18,265,154
assets under construction - plant and machinery	35,471,822	36,790,052	-1,318,230
industrial and commercial equipment	1,859,866	2,804,752	-944,886
other assets	18,835,944	19,970,506	-1,134,562
assets under construction -other assets	4,572,182	652,780	3,919,402
Total	**195,584,323**	**213,476,024**	**-17,891,701**

The item Land and Buildings refers to the property in Verona, Frugose village, which until 2015 was held under a finance lease and which was purchased upon expiration of that contract.
The residual useful life for these assets is:
- Land, indefinite life;
- Buildings, 33 years.

Information on the balance sheet
The item Plant and machinery, €130,227,765, includes:
- centralized hardware amounting to €16,852,561, which is generally depreciated over 48 months, starting from the month in which the asset is ready for use, i.e. from the month after installation and entry into production;
- generic plant amounting to €21,297,829, which is depreciated over 60 months, starting from the month in which the asset is first used, i.e. from the month after installation and entry into production;
- assets leased to third parties in relation to the service of distributed IT systems, amounting to €92,077,375, which are depreciated over 36 or 60 months, starting from the month in which the asset is available for use, i.e. from the month after installation, according to the remaining useful life envisaged in the contracts, except for ATMs which are depreciated over 96 months.

The item Industrial and commercial equipment, amounting to €1,859,866, and Other assets amounting to €18,835,944, which are depreciated starting from the month in which the asset is first used, i.e. from the month after installation and entry into production, include;:
- office equipment, depreciated over 72 months;
- electronic office machines, depreciated over 36 months;
- motor vehicles, depreciated over 36 months;
- works of art, indefinite life.

The statement of changes in the year is attached below:

(Amounts given in €)

	FINANCIAL STATEMENT AT 12.31.2016		
	LAND AND BUILDINGS	HARDWARE, PLANT AND FURNITURE	TOTAL
Gross amounts as at 1.1.2016	**6,569,346**	**780,257,242**	**786,826,588**
Total net impairment losses	**1,804,331**	**571,546,233**	**573,350,564**
Opening inventory	**4,765,015**	**208,711,009**	**213,476,024**
Increases	**0**	**71,300,726**	**71,300,726**
Purchases	**0**	**71,300,726**	**71,300,726**
- Business combinations	0	743,407	743,407
- other purchases of assets	0	70,557,319	70,557,319
Decreases	**148,271**	**89,044,156**	**89,192,427**
Sales	**0**	**20,063,245**	**20,063,245**
- Business combinations	0	19,225,727	19,225,727
- other sales of assets	0	837,518	837,518
Depreciation	**148,271**	**60,353,676**	**60,501,947**
Depreciation on cleared assets of P4cards S.r.l.	**0**	**6,629,890**	**6,629,890**
Impairment adjustments	**0**	**1,168,077**	**1,168,077**
a) Losses on sale	**0**	**829,268**	**829,268**
- other	0	829,268	829,268
Closing inventory	**4,616,744**	**190,967,579**	**195,584,323**
Gross amounts as at 12.31.2016	**6,569,346**	**851,557,868**	**858,127,314**
Total net impairment losses	**1,952,602**	**660,590,389**	**662,542,991**

As part of the Link project, on December 31, 2016, Plant and machinery and Assets under construction and advances were sold to the Company P4cards S.r.l., wholly owned by SIA S.p.A., for € 16,819,652 and € 2,406,075 respectively.
The amounts of the sale in question were reported as a decrease in the line Business combination.
The amount shown in the same item but as an increase, is attributable to the merger of UGBS GmbH into UniCredit Business Integrated Solutions which took place on April 1, 2016.

Intangible assets

Intangible assets, amounting to €1,115,991,654, consist of:

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Other internally generated intangible assets	**955,545,938**	**1,096,982,141**	**-141,436,203**
Industrial patents and internally developed intellectual property rights	710,780,610	800,980,977	-90,200,367
Assets under development: industrial patents and internally developed intellectual property rights	244,765,328	296,001,164	-51,235,836
Other intangible assets	**160,445,716**	**184,020,548**	**-23,574,832**
Industrial patents and intellectual property rights	70,764,401	104,743,107	-33,978,706
Assets under development: industrial patents and intellectual property rights	8,234,507	2,100,553	6,133,954
Concessions, licenses, trademarks and similar rights	61,288,098	59,960,610	1,327,488
Assets under development: concessions, licenses, trademarks and similar rights	20,158,709	17,211,837	2,946,872
Other intangible assets	0	4,441	-4,441
Total	**1,115,991,654**	**1,281,002,689**	**-165,011,035**

Software is amortized on a monthly basis starting from the month in which the asset is ready for use, i.e. from the month after installation and entry into production, for a duration generally of 60 months. For some types of software related to distributed IT the above duration may be changed from 36 up to 60 months depending on the licence contracts signed.
The item Industrial patents and intellectual property rights (€781,545,011) refers to software packages purchased under license for use with an indefinite term (€70,764,401) and software solutions, which are either built by third parties on specific request of the Company or developed in house (€710,780,610).
The item Concessions, licenses and trademarks (€ 61,288,098) refers to the purchase of licenses and application software.
The item Assets under construction and advances (€273,158,544) is the amount of software that has not yet been put into production at year end and refers to software packages purchased under license for use with an indefinite term (€28,393,216) and software solutions, which are either built by third parties on specific request of the Company or developed in house (€244,765,328).

Information on the balance sheet (Continued)

The statement of changes in the year is attached below:

(Amounts given in €)

	FINANCIAL STATEMENT AS AT 12.31.2016		
	INTERNALLY GENERATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	TOTAL
Gross amount at 1.1.2016	**1,674,097,312**	**1,300,817,055**	**2,974,914,367**
Total net impairment losses	**577,115,171**	**1,116,796,507**	**1,693,911,678**
Opening inventory	**1,096,982,141**	**184,020,548**	**1,281,002,689**
Increases	**330,837,715**	**47,195,440**	**378,033,155**
Purchases	**486,345**	**47,195,440**	**47,681,785**
- Business combinations	486,345	735,032	1,221,377
- Other purchases	0	46,460,408	46,460,408
Increases in internal intangible assets	**330,266,013**	**0**	**330,266,013**
Other changes	**85,357**	**0**	**85,357**
Decreases	**472,273,918**	**70,770,272**	**543,044,191**
Sales	**30,262,914**	**783,324**	**31,046,238**
- Business combinations	30,262,914	783,324	31,046,238
Adjustments	**442,011,004**	**69,856,268**	**511,867,272**
- Depreciation	217,672,024	68,926,211	286,598,235
- Depreciation on cleared asstes of P4cards S.r.l.	7,484,977	0	7,484,977
- Impairment	216,854,003	930,056	217,784,060
Other changes	**0**	**130,681**	**130,681**
Net closing inventory	**955,545,938**	**160,445,715**	**1,115,991,654**
Gross closing inventory 12.31.2016	**2,004,935,027**	**1,348,012,494**	**3,352,947,521**
Total net impairment losses	**1,049,389,089**	**1,187,566,779**	**2,236,955,868**

The increases in the year (€378,033,155) mainly include:
- software developed by third parties (€265,857,382); this amount was capitalized and indicated in Costs for services, under the item Capitalisation of external costs;
- software developed in-house (€63,893,032); this amount was capitalized and recognized as Personnel Costs, under the item Capitalization of internal costs;
- the remaining part consists of: licenses and software developed by third parties as requested by the Company and by business combinations (UGBS GmbH).

The decreases for Business combinations (€ 31,046,238) refer to the sale on December 31, 2016 to the Company P4cards S.r.l., wholly owned by SIA S.p.A., of the following assets :
- Industrial patents for € 30,483,695;
- Concessions, licenses, trademarks and similar rights for € 525,994;
- Assets under construction and advances for € 36,548.

The value adjustments of € 217,784,060 refer to impairment losses on Software assets no longer in use and to be divested, mainly as part of decommissioning activities.

Available-for-sale financial assets

The detailed statements showing the breakdown of available-for-sale financial assets and the related changes are presented below.

(Amounts given in €)

AVAILABLE-FOR-SALE FINANCIAL ASSETS	12.31.2016 L1	12.31.2016 L2	12.31.2016 L3	12.31.2015 L1	12.31.2015 L2	12.31.2015 L3
1. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	0	0	0
2. Equity securities	**0**	**0**	**1,000**	**0**	**0**	**1,000**
2.1 fair value	0		0	0		0
2.2 cost value	0	0	1,000	0	0	1,000
3. O.I.C.R. shares	**0**	**0**	**0**	**0**	**0**	**0**
4. Loans	**0**	**0**	**0**	**0**	**0**	**0**
5. Impaired assets	**0**	**0**	**0**	**0**	**0**	**0**
6. Assets sold and not canceled	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**1,000**	**0**	**0**	**1,000**

Legend:
L1 (Level 1) - Listed on stock market.
L2 (Level 2) - Not listed on stock markets (the assessment is not based on market price but on significant guidance, available from infoprovider or on market parameters eg. prices, similar activities, yield curve, interest rates, etc..).
L3 (Level 3) - Not listed on stock markets (the assessment is based on different input or on other market parameters).

(Amounts given in €)

OTHER FINANCIAL ASSETS AVAILABLE FOR SALE	12.31.2015 COST	12.31.2015 CARRYING AMOUNT	MOVEMENTS ACQUISITIONS	MOVEMENTS SALES	MOVEMENTS OTHER	12.31.2016 COST	12.31.2016 CARRYING AMOUNT
Other financial assets available for sale	1,000	1,000	0	0	0	1,000	1,000
TOTAL	**1,000**	**1,000**	**0**	**0**	**0**	**1,000**	**1,000**

The item Available-for-sale financial assets is made up of a share in the ABI LAB Consortium (formerly ABI ENERGIA), with registered office in Rome, Piazza del Gesù, 49, representing 1.25% of the Share Capital for a total counter value of €1,000. The percentage stake is insignificant.

Equity investments

A breakdown of the item Equity Investments is shown in the statement below:

(Amounts given in €)

EQUITY INVESTMENTS	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
In subsidiaries			
Uni IT S.r.l. - Trento	510,000	510,000	0
UniCredit Business Integrated Solutions Austria GmbH	49,647,961	49,647,961	0
Consorzio QuenIT	0	5,500	-5,500
Total	**50,157,961**	**50,163,461**	**-5,500**
In associates			
Consorzio Se.Tel Servizi Telematici in Liquidazione	1,549	1,549	0
ES Shared Service Center S.p.A.	58,800	58,800	0
Accenture and Back Office Administration Services S.p.A.	1,033,000	1,033,000	0
Value Transformation Services S.p.A.	3,431,845	3,431,845	0
Total	**4,525,194**	**4,525,194**	**0**
TOTAL	**54,683,155**	**54,688,655**	**-5,500**

The shares held by UniCredit Business Integrated Solutions S.C.p.A. in the QuenIT consortium were sold on December 31, 2016 to P4cards S.r.l., wholly owned by SIA S.p.A..
On January 9, 2017, the company Consorzio Se.tel Servizi Telematici in liquidation was permanently closed.

Information on the balance sheet (CONTINUED)

Uni IT S.r.l.

(Amounts given in €)

	12.31.2016
Quota capital	1,000,000
Legal reserve	204,409
Other reserves	3,871,965
Profit of the year	435,593
TOTAL	**5,511,967**

The company Uni IT with registered office in Trento is a subsidiary of the Bank, which holds 51% of its share capital, and is a service company within the banking group. The Share Capital is divided into 1,000,000 shares of €1 each (51% UniCredit Business Integrated Solutions S.C.p.A. – 49% Tecnofin Trentina S.p.A.).

UniCredit Business Integrated Solutions Austria GmbH

(Amounts given in €)

	12.31.2016
Share capital	1,200,000
Reserves	56,208,398
Losses carried forward	6,351,962
Profit of the year	409,388
TOTAL	**64,169,748**

The company UniCredit Business Integrated Solutions Austria GmbH with registered office in Vienna is a wholly owned subsidiary and is registered in the Banking Group as operating company. The share capital is divided into 1,200,000 shares of €1 each.

ES Shared Service Center S.p.A.

UniCredit Business Integrated Solutions S.C.p.A. holds a minority stake of 49% worth €58,800. More information is provided in the Report on Operations.

Accenture Back Office Administration Services S.p.A

UniCredit Business Integrated Solutions S.C.p.A. holds a minority stake of 49% worth €1,033,000. More information is provided in the Report on Operations.

Accenture Back Office Administration Services S.p.A.

(Amounts given in €)

	08.31.2016
Share capital	6,710,000
Legal reserve	83,000
Other reserves	23,066
Retained earnings	1,541,805
Profit of the year	280,727
TOTAL	**8,638,598**

Value Transformation Services S.p.A.

UniCredit Business Integrated Solutions S.C.p.A. holds a minority stake of 49% worth €3,431,845. More information is provided in the Report on Operations.

The Parent Company UniCredit S.p.A. is the controlling company that prepares the consolidated financial statements and, therefore, although it holds these controlling equity investments, UniCredit Business Integrated Solutions S.C.p.A. took the option provided for in Article 27 of Italian Legislative Decree No. 127/91 of not preparing consolidated financial statements.

Deferred tax assets

This item, which at December 31, 2016, amounted to €73,415,897, reflects the tax incurred in periods prior to the reporting period and includes deferred tax assets with contra-entry in the income statement and in shareholders' equity, relating to corporate transactions.

A breakdown of deferred tax assets is presented below:

(Amounts given in €)

	12.31.2016			12.31.2015		
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 27.5%	TAX EFFECT IRAP 4.82%	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 27.5%	TAX EFFECT IRAP 4.82%
DEFERRED TAX ASSETS						
Due to personnel	248,300,767	59,592,184	0	151,049,545	41,538,625	0
Civil code depreciation exceeding tax rates for the purpose of IRES	42,367,092	10,168,102	0	64,233,970	17,664,341	0
Civil code depreciation exceeding tax rates for the purpose of IRAP	0	0	0	1,972,205	0	95,060
Other variations IRES	14,496,354	3,479,125	0	8,609,903	2,367,723	0
Other variations IRAP	3,661,529	0	176,486	3,983,462	0	192,003
TOTAL	**308,825,742**	**73,239,411**	**176,486**	**229,849,085**	**61,570,689**	**287,063**
TAX EFFECT ON DEFERRED TAX ASSETS			**73,415,897**			**61,857,752**

Deferred tax assets primarily related to fixed assets falling within the scope of the sale, were sold to P4cards S.r.l., wholly owned by SIA S.p.A. for an amount of € 1,901,076.

The change in the corporate income tax rate from 27.50% to 24% with effect from January 1, 2017, has led to a decrease in deferred tax assets of € 3,541,361 with corresponding increase in the relevant income statement cost.

Other non-current assets

A detailed breakdown of receivables is provided in the table below:

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Guarantee deposits	4,997,182	5,404,053	-406,871
Improvements on third parties assets	125,806,180	122,080,150	3,726,030
Other assets	17,232,301	16,497,345	734,956
TOTAL	**148,035,663**	**143,981,548**	**4,054,115**

The item Security deposits (€4,997,182) mainly comprises sums of money deposited as guarantee against damages in lease agreements entered into as lessee.
Almost all of the item Improvements to third-party assets consists of assets that do not meet the requisite of identifiability laid down by IAS 38.
The item Other assets refers to the put option in favor of the shareholder UniCredit Business Integrated Solutions S.C.p.A. or the purchase option in favor of the shareholder HP, for the shares of the company ES Shared Service Center S.p.A. held by UniCredit Business Integrated Solutions S.C.p.A..
The gross amount of the option is €18,000,000 with a net present value after discounting of €17,232,301.

Current Assets

Inventory

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Closing inventories - Hardware and Software	64,238	64,238	0
Closing inventories - Cards	0	1,726,380	-1,726,380
TOTAL	**64,238**	**1,790,618**	**-1,726,380**

The reduction of the balance is attributable to the sale that took place on December 31, 2016 to the Company P4cards S.r.l., wholly owned by SIA S.p.A., of the electronic money business managed by the "Cards" Product Line of UniCredit Business Integrated Solutions S.C.p.A., which mainly comprised the following services:
- Issuing of credit/debit cards;
- acquiring via POS (from installation/maintenance to the management of the related transactions or the management of frauds);
- ATM management (installation and maintenance).

Information on the balance sheet (Continued)

Trade and Other Receivables

The values shown in the table below correspond to the fair value and are "not quoted on an active market," and are therefore level L3.

A detailed breakdown of receivables is provided in the table below:

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Due from customers	190,778,181	38,891,233	28,766,689
Due from subsidiaries	42,559,205	23,810,852	18,748,353
Due from parents	138,357,188	126,648,318	134,829,129
Allowance for impairment	-9,918,284	-9,674,972	-243,312
TOTAL	**361,776,290**	**179,675,431**	**182,100,859**

Loans and receivables with customers

The item (€ 190,778,181) mainly consists of invoices issued during 2016 for IT services, rents from subleases and for the refund of service and maintenance charges, not yet collected as at December 31, 2016 for € 67,657,622.

Due from Subsidiaries

The item (€ 42,559,205) mainly consists of receivables from the subsidiary UniCredit Business Integrated Solutions Austria GmbH and it entirely refers to invoices issued during the year for IT services and information systems development, still to be collected as at December 31, 2016.

Due from Parent Companies

The item (€ 138,357,188) mainly refers to:

- invoices issued amounting to € 39,182,092;
- invoices to be issued amounting to € 108,201,188 as final 2016 balance in relation to Outsourcing, Back Office and Real estate services;
- invoices to be issue € 70,877,741, a part is due for 2016 services adjustment (positive and negative) and a part is due for V-TServices recuperation amount relative to outsourcing disputes and termination fees recovered as well as justified of the Accenture agreement resolution for project Global Payments;
- receivables in relation to the application for refund of IRAP tax and IRES, under the tax consolidation, amounting to € 15,825,075.

Provisions for impairment of receivables

The Provisions for impairment of receivables represent the write-down booked against doubtful receivables in existence at December 31, 2016.

The following is a geographical breakdown of the item Trade and other receivables:

(Amounts given in €)

REFERENCE COUNTRY OR AREA	VALUES AT 12.31.2016	VALUES AT 12.31.2015
Italy	193,557,366	279,543,798
Czech Republic	6,816,701	21,884,573
Slovakia	87,326	1,893,285
Hungary	2,697,228	2,387,652
Great Britain	-424,203	3,313,605
Poland	120,538	629,869
Romania	1,138,491	1,476,080
Germany	158,756,269	187,136,876
Singapore	-537,342	0
New York	-436,084	0
TOTALE	**361,776,290**	**498,265,738**

Current Tax assets

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
IRES	78,416,205	0	78,416,205
IRAP	1,259,585	6,755,350	-5,495,765
Other tax payables	1,957,927	1,703,465	254,462
TOTAL	**81,633,717**	**8,458,815**	**73,174,902**

At December 31, 2016, the item, amounting to €81,633,717, mainly consisted of:

- IRES tax (€ 78,416,205), referring to the receivable for the year 2016, which comprises advances for € 32,704,484 and the credit for the year 2016 of € 45,711,721;
- IRAP tax (€ 1,259,585), resulting from the difference between the tax due for the year 2016, amounting to €5,306,500, the advances paid (€4,556,223) and the credits relating to previous years (€ 2,009,862);
- other tax receivables (€ 1,957,927), mostly related to receivables for taxes withheld on expatriates' income (€1,366,136) and withholding taxes on bank account interest income (€576,136).

The year 2015 was reclassified to ensure comparability of the values.

Other current assets

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Social Security Agency	81,416	42,605	38,811
Personnel receivables	1,963,757	2,190,883	-227,126
Sundry Reveivables	500,706,794	475,661	500,231,133
Accrued incomes and prepaid expenses	84,270,597	96,558,113	-12,287,516
Advance to suppliers			
Advances for third-party services	*168,721,780*	*242,608,877*	*-73,887,097*
Credit note to be received	*5,308,158*	*4,806,110*	*502,048*
Others	3,215,130	7,577,255	-4,362,125
TOTAL	**764,267,632**	**354,259,504**	**410,008,128**

The item Accrued income and prepaid expenses, amounting to €84,270,597, consists of prepaid expenses, and, pursuant to the principle of accrual accounting, it reflects advance payments made to suppliers for services pertaining to future years.
The value of the proceeds, not yet collected, from the sale of the entire investment in the P4cards S.r.l. to SIA S.p.A.. was recognized in the item Other receivables. This amount was collected in the early days of 2017 as provided by contract.
The item Advances for third-party services, amounting to €168,721,780, almost entirely consists of advances to third parties in relation to framework agreements (Accenture S.p.A., BE Consulting S.p.A. etc.) and / or agreements with the Joint Ventures (ABAS S.p.A., Value Transformation Services S.p.A., etc.). In addition, due to the contract renegotiation and the substantive changes made to the contract with V-TServices, in accordance with IAS 38 Intangible Assets, and the expiration of the right to obtain pre-paid services, we "derecognized" the item "Advances to suppliers" recorded in the financial statements of UniCredit Business Integrated Solutions for an amount of € 238,485,339 at 31.12.2016.
As contra-entry for the derecognition of this item, a cost for an equivalent amount was recognized in the item Cost for services.
The item Other was reduced by € 5,435,694, because as part of the Link project, on December 31, 2016, Accrued income and prepayments (€ 3,463,762) referring to advances paid to suppliers for services relating to subsequent periods and receivables held by the German Branch (€ 1,971,932) were sold to the Company P4cards S.r.l., wholly owned by SIA S.p.A..

Information on the balance sheet (Continued)

Cash and cash equivalents

In accordance with IFRS 7, the values shown in the table below correspond to the fair value and are "not quoted on an active market," and are therefore level L3.

Cash and cash equivalents

(Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2016 EQUIVALENT VALUE IN EURO	12.31.2015 EQUIVALENT VALUE IN EURO	VARIATIONS EQUIVALENT VALUE IN EURO
In the name of UniCredit Business Integrated Solutions S.C.p.A.				
with UniCredit SpA				
c/c n. 5218005	EUR	0	12,578,852	-12,578,852
c/c n. 4661823	EUR	3,560,541	1,192,014	2,368,527
c/c n. 30028960	EUR	315,614	208,041	107,573
c/c n. 5194635	EUR	102,728	1,742,826	-1,640,098
c/c n. 500092831	EUR	23,402	28,866	-5,464
c/c n. 5290339	EUR	107,273,702	118,101,512	-10,827,810
c/c n. 30062073	EUR	32,088	32,204	-116
c/c n. 30023431	EUR	10,132,600	4,419,019	5,713,581
c/c n. 500070498	EUR	342,809	380,199	-37,390
c/c n. 103793721	EUR	62,047	11,374	50,673
c/c n. 101699664	EUR	657,682	0	657,682
in the name of UBIS (*) - UBIS SA Oddzial W Polsce - Szczecin				
with Bank Pekao S.A.				
c/c n. 43485939	PLN	199,370	44,194	155,176
c/c n. 21996082	EUR	1,047,151	1,303,601	-256,450
c/c n. 07477996	PLN	0	0	0
Short term Deposit	EUR	88,000	88,175	-175
In the name of UBIS (*) - UBIS S.C.p.A. organizacni slozka - Praha				
with UniCredit Bank				
c/c n. 0804685033	CZK	0	0	0
c/c n. 804685009	CZK	698,572	893,416	-194,844
c/c n. 0804685017	EUR	214,242	4,856,290	-4,642,048
in the name of UBIS (*) - UBIS S.C.p.A. Zweigniederlassung Deutschland - Munchen				
with UniCredit Bank AG				
c/c n. 47263557	EUR	51,601,819	27,093,863	24,507,956
c/c n. 47307503 Fixed deposit	EUR	11,575	11,574	1
c/c n. 654781761	EUR	0	110,285	-110,285
c/c n. 10011848 presso HVB TRUST	EUR	29,607	21,652	7,955
c/c n. 666526910 HVB TRUST	EUR	601,030	2,850,668	-2,249,638
UniCredit Bank AG (HVB) 65202735 - new from April	EUR	15,108,982	0	15,108,982
UniCredit Bank AG (HVB) TRUST c/c 15776235 - new from September	EUR	2,839,447	0	2,839,447
in the name of UBIS (*) - UBIS S.C.p.A. - Sucursala Bucarest				
with UniCredit Tiriac Bank SA				
c/c n. 2303000	RON	2,186,206	1,173,797	1,012,409
c/c n. 2303001	EUR	459,179	7,778,841	-7,319,662
c/c n. 2303003	RON	4	690,566	-690,562
Debit card 2303026	RON	1,814	1,659	155
in the name of UBIS (*) - UBIS S.C.p.A. - Sucursala Iasi				
with UniCredit Tiriac Bank SA				
c/c n. 2303006	RON	2,163	34,357	-32,194
c/c n. 2303007	EUR	11,084	19,101	-8,017
in the name of UBIS (*) - UBIS S.C.p.A. Branch United Kingdom - London				
with UniCredit M IB HVB AG				
c/c n. 30106109670901	GBP	1,917,578	3,890,082	-1,972,504
c/c n. 30036309670902	EUR	1,849,142	7,708,252	-5,859,110

Continued: Cash and cash equivalents

(Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2016 EQUIVALENT VALUE IN EURO	12.31.2015 EQUIVALENT VALUE IN EURO	VARIATIONS EQUIVALENT VALUE IN EURO
in the name of UBIS (*) - UBIS S.C.p.A. M agyarorszagi Fioktelepe - Budapest				
with UniCredit Bank Hungary Zrt.				
c/c n. 41060016	HUF	289,328	8,253,194	-7,963,866
c/c n. 41060023	HUF	6,434	9,312	-2,878
UCI c/c 41060078 HUF A	HUF	0	745	-745
UCI c/c 41060085 EUR - new from February	EUR	5,816,132	0	5,816,132
in the name of UBIS (*) - UBIS S.C.p.A. organizacna zlozka Slovensko - Bratislava				
with Vseobecna Uverova Banka (VUB)				
c/c n. 2839377259	EUR	0	0	0
Presso UniCredit SK				
c/c n. 8959165020	EUR	2,184,785	2,379,879	-195,094
in the name of UBIS (*) - UBIS S.C.p.A. Singapore Branch				
with United Overseas Bank				
United Overseas Bank 4503035809	SGD	2,419,727	0	2,419,727
United Overseas Bank 4513014761 -	SGD	31,510	0	31,510
in the name of UBIS (*) - UBIS S.C.p.A. New York Branch				
with UniCredit Bank AG				
UniCredit Bank 0960094301 USD	USD	4,528,357	0	4,528,357
UniCredit Bank 0960094302 EUR - new from December	USD	0	0	0
POST CURRENT ACCOUNT	**EUR**	**746**	**345**	**401**
CASH	**EUR**	**27,232**	**41,319**	**-14,087**
TOTAL		**216,674,428**	**207,950,074**	**8,724,354**

(*) UniCredit Business Integrated Solutions S.C.p.A.

Information on the balance sheet (Continued)

Liabilities

Shareholders' equity

Shareholders' Equity can be broken down as follows.
The share capital consists of 237,523,160 ordinary shares with a face value of €1.00 each, for a total of €237,523,160, and is owned by the following Shareholders:

SHAREHOLDER	N. OF SHARES HELD
UNICREDIT SPA	237,523,030
FINECO BANK SPA	20
PIONEER INVESTMENT MANAGEMENT SOCIETÀ DI GESTIONE DEL RISPARMIO PER AZIONI	40
UNICREDIT FACTORING SPA	20
SOCIETE GENERALE SECURITIES SERVICES SPA	20
CORDUSIO SOCIETÀ FIDUCIARIA PER AZIONI	10
UNICREDIT BANK AG	20
TOTAL	**237,523,160**

The classification of Shareholders' Equity by possibility of utilization and availability is presented below:

(Amounts given in €)

					SUMMARY OF USESIN THE THREE PREVIOUS YEARS	
NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	DISTRIBUTABLE QUOTA	NON-DISTRIBUTABLE QUOTA	FOR COVER AGAIST LOSS	FOR OTHER REASONS
SHARE CAPITAL	237,523,160			-	-	-
INCOME-RELATED RESERVES	-			-	-	-
Legal Reserve	6,318,174	B	6,318,174	-	-	-
Valuation reserve	-108,702,995		-108,702,995	-	-	-
Other reserves	195,210,925	A - B - C	195,210,925	-	-	-
Profit for the year	2,572,182		2,572,182	-	-	-
TOTAL	**332,921,446**		**95,398,286**	**-**	**-**	**-**

Key:"A" for share capital increase, "B" to cover losses, "C" for distribution to Shareholders.

Shareholders' equity amounted to €332,921,446, compared to € 373,394,771 in 2015, and consists of:

	2016	2015
Share Capital	€ 237,523,160	€ 237,523,160
Legal reserve	€ 6,318,174	€ 6,306,229
Extraordinary reserve	€ 63,721,294	€ 63,494,337
Share Premium reserve	€ 52,814,822	€ 52,814,822
Other reserves	€ 78,674,809	€ 83,540,462
Valuation reserve for actuarial gains/losses fo prension plans	-€ 108,702,995	-€ 70,523,142
Profit for the year	€ 2,572,182	€ 238,903

The item Valuation reserve relates to the change made to the Provisions for Personnel after allocation of actuarial gains/losses to pension funds and to the employment severance pay (TFR); this change was introduced starting from 1 January 2013 following the changes introduced to the standard IAS 19 (IAS 19R).
The adoption of this standard had an effect on the company shareholders' equity also in 2016, namely recognition of actuarial gains and losses in the "valuation reserves", net of prepaid/deferred taxes related to them. The change in this item was also due to the merger of UGBS GmbH in UniCredit Business Integrated Solutions S.C.p.A. for an amount of € 15,313,254, as difference between the price paid and the net asset value of the business unit.

Non-current liabilities

Non-current financial payables

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Security deposit	26,445	26,445	0
TOTAL	**26,445**	**26,445**	**0**

In accordance with IFRS 7, the values shown in the above table correspond to fair value and are "not quoted on an active market," and are therefore level L3.

Deferred tax liabilities

The item €350,755 refers to taxes that will be paid in periods subsequent to the period in which they are recognized in the income statement, in accordance with the accrual principle.

A breakdown of Deferred tax liabilities is presented below:

(Amounts given in €)

	12.31.2016			12.31.2015		
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 27.5%	TAX EFFECT IRAP 4.82%	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 27.5%	TAX EFFECT IRAP 4.82%
DEFERRED TAXES						
Other variations IRES	1,214,172	291,401	0	1,344,161	369,644	0
Other variations IRAP	1,231,413	0	59,354	1,358,164	0	65,464
TOTAL	**2,445,585**	**291,401**	**59,354**	**2,702,325**	**369,644**	**65,464**
TAX EFFECT ON DEFERRED TAXES			**350,755**			**435,108**

Provisions for Personnel

Employment Severance Pay

A breakdown of and movements in Provisions for Employment Severance Pay are presented below:

(Amounts given in €)

	EMPLOYEE SEVERANCE PAY
A.1 Opening balances	**83,295,349**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1/1/2016	**83,295,349**
B. Increases	**6,183,441**
B.1 Provisions for the year	*1,438,495*
B.2 Other increases	*4,744,946*
Adjustments for actuarial losses on post-employment benefits (IAS19R)	3,848,889
Business combinations	896,057
- internal	519,706
- outdoor	0
- mergers	0
- Sales of individual contract (incoming)	376,351
- Other increases	0
C. Decreases	**-8,015,497**
C.1 Payments	*-5,835,019*
- of which: payments severance indemnity to resigned staff	-5,262,561
- of which: advances of severance indemnity	-572,458
C.2 Other decreases	*-2,180,478*
- Adjustments for actuarial gains on post-employment benefits (IAS19R)	-19,764
- Business combinations	-1,661,813
internal:	0
- sales	0
external:	-1,661,813
- sale to SIA - branch pl Card (LINK project)	-1,661,813
- Other changes	-498,901
- Sales of individual contract (outgoing)	-498,901
- Other decreases	0
D. Closing	**81,463,292**

Information on the balance sheet (Continued)

Severance indemnity: other information

(Amounts given in €)

	12.31.2016
Provision for the year	**1,438,495**
- Pension cost of current service	0
- Interest expense on defined denefit plan	1,438,495
- Gains and losses on curtailments and settlements	0
- Pension cost of past service	0
Actuarial (Gans) losses recognized in the revaluation services (OCI)	**3,829,125**

DESCRIPTION OF MAIN ACTUARIAL ASSUMPTIONS	TFR	FONDINO EX.BDS
Discount rate	1.75%	1.75%
Expected rate in salary increase	0%	2.60%
Future increases in pension obligations	0%	0%
Expected rate on inflation	1.10%	1.10%
Mortality assumption	0%	0%

Pension fund and similar obligations for employees of the Branch in Germany

The Fund is a defined-benefit plan financed through an external fund ("Contractual Trust Arrangement") managed by independent fiduciaries.
As already stated in the paragraph on "Accounting Policies", the obligations of defined-benefit plans are determined with the "Projected Unit Credit Method" and for Plans financed through financial assets, these are measured at fair value at the reporting date. The difference between the current obligation and the relevant financial assets is recognized as liability (pension funds) in the balance sheet. Besides the amounts shown in the financial statements relating to the financial surplus, statements are provided illustrating the changes that occurred in the year in the financial assets and in the current payable to employees which, totaled and excluding non-recognised actuarial gains and losses, give rise to the surplus in question.

(Amounts given in €)

	PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS
A.1 Opening balace	**40,745,780**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1/1/2016	**40,745,780**
B. Increases	**46,236,148**
B.1 Provisions for the year	*11,487,647*
pension cost current job preformances	*11,487,647*
B.2 Changes due to the passage of time	*0*
B.3 Changes due to discount rate	*0*
B.4 Other	*34,748,501*
- Adjustments for actuarial losses on defined benefit plans	21,849,782
- Business combinations	12,243,361
- external	0
- internal	12,243,361
- mergers	0
- Other changes	655,358
- Exchange rate differences input (+)	0
- Exchange rate differences calculated (+)	0
- Change in scope of consolidation (+)	0
- Change in method and in % of consolidation (+)	0
- Other changes (+)	655,358
C. Decreases	**-6,773,058**
C.1 Use during the year	-3,768,649
- Benefits paid by the fund use	-3,768,649
C.2 Changes due to discount rate	0
C.3 Other	-3,004,409
- Adjustments for actuarial losses on defined benefit plans	0
- Business combinations	-3,004,289
- external	-3,004,289
- internal	0
- Other changes	-120
- Exchange rate differences on input (-)	-120
- Exchange rate differences calculated (-)	0
- Change in scope of consolidation (-)	0
- Change in method and in % of consolidation (-)	0
- Other changes (-)	0
D. Closing balance	**80,208,870**

ACTUARIAL ASSUMPTIONS	12.31.2016 VALID FOR THE PENSION PROVISION %	12.31.2015 VALID FOR THE PENSION PROVISION %
Discount rate	1.90	2.35
Expected rate of return from financial Plan assets	1.90	2.35
Rate of wage growth	1.50	2.00
Future increases in pension benefits	1.50	1.60
Expected inflation rate	-	-

Provisions for risks and charges

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Provisions for disputes with personnel	946,369	992,776	-46,407
Other provisions for risks and charges	56,388,526	55,597,978	790,548
Other personnel provisions	155,375,380	110,750,943	44,624,437
Provisions for legal disputes	711,041	1,047,786	-336,745
Provisions for fiscal controls	804,777	807,446	-2,669
Provisions for future expenses	3,134,335	2,666,637	467,698
TOTAL	**217,360,428**	**171,863,566**	**45,496,862**

The provision for risks and charges showed a balance of €217,360,428; it comprises the company's provisions determined as the best estimate of future liabilities related to:

- disputes with Staff (€946,369);
- other Provisions for risks and charges (€ 56,388,526), mainly consisting of:
  - provision for costs relating to the restoration of the original structures following the release of the building in Naples, Via Verdi 31, and the settlement agreement with REAM SGR regarding certain properties in Turin and Milan for a total of € 4,550,000. These provisions are part of our customary activities designed to seek solutions that minimize operational risks;
  - provision for risk associated with the potential application of VAT on the sale of the division to P4cards S.r.l. with regard to the assets and liabilities of our German branch for € 3,516,330;
  - provision for expected losses in 2017 on the Mach project at our Branch in the Czech Republic for € 9,000,000;
  - provision for termination fees in relation to the cancellation of the contract with Accenture, as a result of the interruption of the project started in 2016 for the creation of a global payment platform for € 27,652,608;
  - tax provision following an inspection by the Revenue Agency, which started in July 2015 and ended in 2016, amounting to € 7,894,178 of which € 5,828,041 for taxes and € 2,066,137 for penalties.
- charges for corporate restructuring plans, amounting to €155,375,380, mainly consisting of:
  - residual provision recognized in December 2013 for the Italy Strategic Plan 2010/2015 (€26,718,988);
  - provisions for the Italy redundancy Plan 2015 (€1,949,372);
  - provisions for the new Redundancy Plan Italy 2016/19 and Germany (€126,707,020).
- legal disputes with landlords; (€ 711,041)
- disputes with the tax offices in Romania and Poland; (€ 804,777)
- other operational risks (€3,134,335).

Other non-current liabilities

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Liabilities for 25th and 35th seniority bonuses	10,819,500	5,809,217	5,010,283
Liabilities for leaving inventives	91,014,925	20,262,835	70,752,090
TOTAL	**101,834,425**	**26,072,052**	**75,762,373**

The item includes Employee provisions for voluntary redundancy incentives relating to the Business plans signed with the Trade Unions and for seniority Premiums payable to employees that reach 25 and 35 years of service.

Information on the balance sheet (Continued)

Current liabilities

Current financial payables

(Amounts given in €)

		VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Short-term financing	UNICREDIT	1,599,944,000	1,250,048,333	349,895,667
Others	UNICREDIT	44,911,310	0	44,911,310
TOTAL		**1,644,855,310**	**1,250,048,333**	**394,806,977**

The total amount of short-term borrowings, amounting to €1,599,944,000, consists of two different disbursements:
- € 800 million maturity 01.09.2017 at a fixed rate of 0.070%;
- € 800 million maturity 01.27.2017 at a fixed rate of 0.070%.

The increase over the previous year is due to the extension of the loan granted by the parent company.
The amount of € 56.000 is due to the difference between the subvention nominal value (€ 1.600.000.000) and the financial statement value (€ 1.599.944.000) and it's the negative interest accrued up to year end.
The remains amount of € 44.911.310 is the balance of the UniCredit c/c n. 5218005.
In accordance with IFRS 7, the values shown in the above table correspond to fair value and are "not quoted on an active market," and are therefore level L3.

Current tax liabilities

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
IRES	0	21,722,000	-21,722,000
Payables for income taxes of foreign Branches	12,612,578	2,784,350	9,828,228
Payables for substitute tax on post-employment benefits revaluation	0	39,469	-39,469
VAT payables	17,910,369	6,143,126	11,767,243
Payables on revenues witholding tax for self-employment	15,053	61,962	-46,909
Payables revenue witholding tax for employment	9,916,073	10,031,137	-115,064
TOTAL	**40,454,073**	**40,782,044**	**-327,971**

At December 31, 2016, the item, amounting to €40,454,073, mainly consisted of:
- amounts due for income taxes of foreign subsidiaries, mainly consisting of payables of our German branch to the German Tax Authority.
- net VAT payable (€17,910,369), consisting of VAT payable for €18,252,567 net of VAT receivable of €342,198;
- income taxes withheld from employees and independent contractors (€9,931,126), almost entirely related to employment income;

The financial year 2015 has been reclassified in order to make the amounts comparable.

Trade Payables

Payables totaled €389,698,844, broken down as follows:

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Due to suppliers	338,129,466	347,471,884	-9,342,418
Due to subsidiaries	39,733,893	13,395,944	26,337,949
Due to parents	11,835,485	35,487,465	-23,651,980
TOTAL	**389,698,844**	**396,355,293**	**-6,656,449**

This item Due to suppliers (€ 389,698,844) represents invoices to be paid to suppliers on the due dates contractually provided for. The main types of services received related to the item Due to suppliers relate to ICT services and Systems Assistance, maintenance work on properties, surveillance and local security services, Personnel training, seconded Personnel, rents paid, electricity supplies and heating.
The item Due to subsidiaries is for Global Project services and Global Services provided by our subsidiary UniCredit Business Integrated Solutions Austria GmbH.
The item Due to Parent Company is mostly made up of invoices to be received relating to seconded Personnel, payables for employee benefits with payments based on the Parent Company's shares, and payables for rents and condominium expenses.
It should be noted that there are no payables backed by real guarantees on corporate assets.

The following is a geographical breakdown of the item “Trade payables”:

(Amounts given in €)

REFERENCE COUNTRY OR AREA	VALUES AT 12.31.2016	VALUES AT 12.31.2015
Italy	299,049,354	307,670,916
Czech Republic	8,796,655	6,818,850
Slovakia	2,372,458	869,769
Hungary	5,911,927	3,441,465
Great Britain	9,606,401	7,380,623
Poland	437,348	185,578
Romania	685,304	1,371,587
Germany	60,821,620	68,616,505
Singapore	990,832	0
New York	1,026,945	0
TOTAL	**389,698,844**	**396,355,293**

Other current liabilities

(Amounts given in €)

	VALUES AT 12.31.2016	VALUES AT 12.31.2015	VARIATIONS
Payables due to personnel	40,333,948	49,350,472	-9,016,524
MBO	*22,883,518*	*30,132,255*	*-7,248,737*
VAP	*4,386,477*	*4,712,852*	*-326,375*
Christmas extra	*18,627*	*11,603*	*7,024*
Vacations	*2,416,729*	*3,221,295*	*-804,566*
Other personnel payables	*10,628,597*	*11,272,467*	*-643,870*
Contributive insurance and welfare	16,222,892	19,392,590	-3,169,698
Integrative insurance	-1,351,767	2,073,901	-3,425,668
Accrued expenses	27,869,632	43,755,772	-15,886,140
Others	39,879,404	9,550,634	30,328,770
TOTAL	**122,954,109**	**124,123,369**	**-1,169,260**

The item Accrued liabilities and deferred income (€27,869,632) mainly consists of deferred income on rental expense, other real estate services and other ICT services not relating to the current year.
The item Other items primarily refer to advances received from our Branch in the Czech Republic for Back Office services (€ 6,138,687) and to the reclassification from the Provision for risks and charges to Invoices to be received of the price to be paid to the new lessor of the building in Piazza Cordusio, Milan, for the early exercise of the right to withdraw as provided in the contract (€ 31,814,800).

Information on the income statement

Revenue

Introduction

As stated in the introduction, the following tables on costs and revenues for the year 2016 and 2015, have been adjusted for the impact of the operations transferred on 12.31.2016 to P4cards, a wholly owned subsidiary of SIA S.p.A. Those amounts have been reclassified in the income statement under "Net income from discontinued operations."

Revenue from sales and services

This item includes services provided in the Security business, Global Sourcing and Operations business, Information Communication Technology business, General Real Estate Services business, revenues from IT outsourcing, distributed IT systems, services related to Card Services, facility and project management.
The Company's turnover showed a 7.63% increase on 2015 in part due to the merger of UGBS GmbH into UniCredit Business Integrated Solutions S.C.p.A. which took place on April 1, 2016.
More specifically, revenues showed the following performance:

- revenue growth in Outsourcing Services mainly due to Project revenues and recognition of the final 2016 balance on back office, ICT and Real Estate services;
- reduction in revenues of Real Estate Services, attributable to the Real Estate Service Line project aimed at a rationalization of spaces (closing of branches, smart working, etc.),

(Amounts given in €)

	2016	2015	VARIATIONS
Revenues for services outsourcing	**2,007,038,871**	**1,808,146,689**	**198,892,182**
Revenues for basic services outsourcing	*1,938,070,696*	*1,672,223,205*	*265,847,491*
Revenue from DICT	*40,201,950*	*105,171,853*	*-64,969,903*
Revenue Card Services	*873,371*	*353,949*	*519,422*
Revenue from project	*27,892,854*	*30,397,682*	*-2,504,828*
Other revenues from sales	**9,065**	**11**	**9,054**
Rental Income	**307,272,398**	**326,262,883**	**-18,990,485**
Rental income from employees	*52,800*	*53,858*	*-1,058*
Rental income from group companies	*307,219,598*	*326,209,025*	*-18,989,427*
Real Estate Services Income	**205,701,900**	**206,828,672**	**-1,126,772**
Real estate services income	*66,968,513*	*60,556,865*	*6,411,648*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*44,919,342*	*44,913,987*	*5,355*
RE serv.inc.-Rec.of charges related to strum.prem.	*27,994,631*	*29,100,645*	*-1,106,014*
RE serv.income-Recovery heating costs strum. Prem.	*65,819,414*	*72,257,175*	*-6,437,761*
Other income from services	**0**	**74,738**	**-74,738**
TOTAL	**2,520,022,234**	**2,341,312,993**	**178,709,241**

The value of the business sold, which was reclassified in item "net income from discontinued operations", amounted to € 13,026,086 in 2016 and € 18,017,441 in 2015.

Details of Revenues from sales and services are provided, broken down by Country:

(Amounts given in €)

REVENUES FROM SALES AND SERVICES - COUNTRY DETAIL	ITALY	CZECH REPUBLIC	SLOVAK REPUBLIC	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Revenues for services outsourcing	**1,058,985,045**	**33,959,922**	**17,347,021**	**32,773,049**	**46,626,888**	**14,377,120**	**39,050,901**	**747,298,220**	**5,841,901**	**10,778,804**	**2,007,038,871**
Revenues for basic services outsourcing	*1,054,622,647*	*11,439,604*	*16,169,420*	*28,569,635*	*46,626,888*	*14,377,120*	*39,050,901*	*710,593,776*	*5,841,901*	*10,778,804*	*1,938,070,696*
Revenue from DICT	*3,489,027*	*2,287,639*	*0*	*0*	*0*	*0*	*0*	*34,425,284*	*0*	*0*	*40,201,950*
Revenue Card Services	*873,371*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*873,371*
Revenue from project	*0*	*20,232,679*	*1,177,601*	*4,203,414*	*0*	*0*	*0*	*2,279,160*	*0*	*0*	*27,892,854*
Other revenues from sales	**2,101**	**0**	**0**	**0**	**0**	**0**	**6,964**	**0**	**0**	**0**	**9,065**
Rental Income	**307,159,938**	**112,460**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**307,272,398**
Rental income from employees	*52,800*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*52,800*
Rental income from group companies	*307,107,138*	*112,460*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*307,219,598*
Real Estate Services Income	**205,672,061**	**29,839**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**205,701,900**
Real estate services income	*66,938,039*	*30,474*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*66,968,513*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*44,919,977*	*-635*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*44,919,342*
RE serv.inc.-Rec.of charges related to strum.prem.	*27,994,631*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*27,994,631*
RE serv.income-Recovery heating costs strum. Prem.	*65,819,414*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*65,819,414*
TOTAL	**1,571,819,145**	**34,102,221**	**17,347,021**	**32,773,049**	**46,626,888**	**14,377,120**	**39,057,865**	**747,298,220**	**5,841,901**	**10,778,804**	**2,520,022,234**

Other Revenue and Income

(Amounts given in €)

	2016	2015	VARIATIONS
Capital Gains from goods sales	**258,075**	**215,308**	**42,767**
Other Reimbursements	**89,687,209**	**94,833,734**	**-5,146,525**
Other reimbursements and recoveries	*87,398,730*	*92,599,673*	*-5,200,943*
Reimburs. training costs	*11,758*	*537,002*	*-525,244*
Reimbursements for operating losses	*3,100*	*125,591*	*-122,491*
Insurance recoveries	*19,647*	*-8,109*	*27,756*
Reimbursements motor vehicle use	*1,162,722*	*902,892*	*259,830*
Reimbursements from insurance	*1,046,501*	*68,586*	*977,915*
Tax recovery	*44,751*	*608,099*	*-563,348*
Other Incomes	**97,298,242**	**91,713,252**	**5,584,990**
Other operating income	*95,227,975*	*88,930,141*	*6,297,834*
Rounding	*5,441*	*2,554*	*2,887*
Government Subsidy from Ministry of Education	*35,083*	*0*	*35,083*
Foreign currency gains (loss)	*2,029,743*	*2,780,557*	*-750,814*
TOTAL	**187,243,526**	**186,762,294**	**481,232**

The item Other revenue mainly consists of:

- Reimbursements and recovery of expenses from the joint ventures V-TServices S.p.A. (€63,958,852), DO BANK S.p.A. (€4,358,397), ABAS S.p.A. (€362,065), other third-party customers (€18,388,828);
- Other income, mainly consisting of:
  - refund from the Parent Company of the termination fees envisaged in the contract with Accenture which we intend to cancel, regarding the implementation of the Global payments project and the related cost incurred in the year for the implementation of this strategic initiative for a total amount of € 35,748,477;
  - repayment of the amount paid by the Parent Company V-TServices S.p.A. as a trade agreement mainly linked to extra services included in the baseline for the amount of € 50,048,340;
  - reimbursement of costs relating to the restoration of structures following the release of property due to the closing of branches in Naples, Turin and Milan for € 4,550,000.

Costs

Costs for raw and subsidiary materials, consumables and goods

The item is made up mainly of various consumables purchased. Inventories refer to the change in inventories of credit cards for the delivery of Card Services.

(Amounts given in €)

	2016	2015	VARIATIONS
Expenses for raw materials, subsidiaries materials and consumables	8,024,134	14,166,299	-6,142,165
Change in inventories	340,425	230,209	110,216
TOTAL	**8,364,559**	**14,396,508**	**-6,031,949**

The value of the business sold, which was reclassified in item “net income from discontinued operations”, amounted to € 4,194,026 in 2016 and € 1,923,895 in 2015.

Information on the income statement (CONTINUED)

Costs for services

The item is made up of:

(Amounts given in €)

	2016	2015	VARIATIONS
Technical and professional advices	**20,901,368**	**19,453,642**	**1,447,726**
Technical Advices	*243,955*	*131,610*	*112,345*
Professional services	*620,113*	*1,158,801*	*-538,688*
Property consultancy	*0*	*97*	*-97*
Translations	*135,633*	*126,870*	*8,763*
Costs of checking operations	*6,511,693*	*6,229,663*	*282,030*
Independent auditors' reports	*901,318*	*765,401*	*135,917*
Administrative Advices	*1,407,107*	*544,255*	*862,852*
Labour consultancy	*11,649*	*49,873*	*-38,224*
Tax advices	*1,230,082*	*784,246*	*445,836*
Fees for mediation (Interim)	*70,998*	*33,649*	*37,349*
Management and strategic consulting	*7,530,525*	*8,575,633*	*-1,045,108*
Legal advices	*2,238,103*	*1,052,078*	*1,186,025*
Notaries Servicies	*192*	*1,466*	*-1,274*
Administrative services	**69,487,906**	**66,313,945**	**3,173,961**
Other administrative expenses	*4,356*	*442*	*3,914*
Admninistrative services and back office	*67,998,031*	*65,011,128*	*2,986,903*
External storage services	*226,353*	*105,490*	*120,863*
Cost for service personnel	*1,259,166*	*1,196,885*	*62,281*
Informatic services	**682,983,002**	**423,366,752**	**259,616,250**
Fixed price systems management assistance	**459,386,960**	**473,768,124**	**-14,381,164**
External costs capitalization	**-265,857,382**	**-309,382,125**	**43,524,743**
Insurance	**3,007,713**	**3,037,327**	**-29,614**
Data Transmission	**4,904,488**	**3,563,164**	**1,341,324**
Infoprovider costs	**6,960,556**	**4,070,777**	**2,889,779**
Local and Building Expenses	**141,008,657**	**157,409,638**	**-16,400,981**
Vigilance expenses	*26,794,786*	*27,179,634*	*-384,848*
Security services	*4,201,209*	*3,608,149*	*593,060*
Local charges for cleaning and waste disposal	*29,426,692*	*31,380,109*	*-1,953,417*
Contracts health hands	*993,145*	*1,027,057*	*-33,912*
Energy and power	*55,945,139*	*62,907,421*	*-6,962,282*
Utilities - Water	*2,295,854*	*2,473,615*	*-177,761*
Heating expenses	*5,831,863*	*10,833,242*	*-5,001,379*
Cost of building shopping cent. with VAT	*9,273,904*	*9,689,651*	*-415,747*
Telephone	*6,246,065*	*8,310,760*	*-2,064,695*
Representation expenses	**68,104**	**118,107**	**-50,003**
Transport and shipments	**772,452**	**776,376**	**-3,924**
Training expenses	**3,667,818**	**3,571,307**	**96,511**
Hardware and software Maintenance	**116,864,402**	**113,837,459**	**3,026,943**
Hardware and ICT plants Maintenance	*28,173,718*	*26,677,022*	*1,496,696*
Software Maintenance	*88,690,684*	*87,160,437*	*1,530,247*
Building Maintenance	**25,298,927**	**25,729,108**	**-430,181**
Forniture, machines and equipments maintenance	**13,663,061**	**15,794,815**	**-2,131,754**
Other maintenance	**95,970**	**69,754**	**26,216**
Logistic services	**1,109,928**	**1,536,694**	**-426,766**
Real estate services	**4,396,027**	**2,258,161**	**2,137,866**
Travel Expenses	**7,296,999**	**11,085,200**	**-3,788,201**
Convention and internal comunication	**126,059**	**494,313**	**-368,254**
Advertising expenses, marketng expenses and sponsorship	**543,906**	**453,160**	**90,746**
Collector accounts	**32,330,937**	**29,059,325**	**3,271,612**
Other expenses	**9,177,058**	**12,196,147**	**-3,019,089**
Postal expenses	*4,881,394*	*4,906,587*	*-25,193*
Drawback fees for Ticket Services	*2,404,813*	*5,154,088*	*-2,749,275*
Other expenses	*1,890,851*	*2,135,472*	*-244,621*
TOTAL	**1,338,194,916**	**1,058,581,170**	**279,613,746**

The value of the business sold, which was reclassified in item “net income from discontinued operations”, amounted to € 9,866,927 in 2016 and € 8,205,132 in 2015.

The above table shows an increase of € 279,613,746 compared to the previous year; the main aspects for each cost area are described below:

- ICT services: the increase in the amount of € 259,616,250 was mainly due to contract renegotiation and the substantive changes made to the contract with V-TServices S.p.A., in accordance with IAS 38 Intangible Assets; in addition, upon expiration of the right to pre-paid services, we "derecognized" the item "Advances to suppliers" recorded in the financial statements of UniCredit Business Integrated Solutions S.C.p.A. for an amount of € 238,485,339 at 12.31.2016;
- system support services: the reduction (€ -14,381,164) is mainly due to the recognition of non-recurring gains related to the write-off of invoices to be received in previous years;
- Capitalization of external costs: they decreased by € -43,254,743; this item includes costs that, as a result of internal processes, are allocated to individual projects recognized in the balance sheet. The reduction stems from a reduction in the use of external staff partially offset by an increased use of internal staff;
- Maintenance of buildings, furniture, plant and machinery: these costs decreased in close correlation with the corresponding decrease in the scope of revenues, due to the rationalization and streamlining of the premises carried out by Real Estate.

A breakdown of Costs for services by Country is provided below:

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Technical and professional advices	**17,744,042**	**248,731**	**72,661**	**125,445**	**59,184**	**68,834**	**207,859**	**1,130,676**	**492,020**	**751,916**	**20,901,368**
Technical Advices	*227,483*	*163*	*0*	*0*	*0*	*1,429*	*15,768*	*0*	*-888*	*0*	*243,955*
Professional services	*619,775*	*16,067*	*0*	*5,312*	*-4,051*	*0*	*115*	*-17,105*	*0*	*0*	*620,113*
Translations	*101,102*	*6,088*	*0*	*5,088*	*0*	*2,451*	*8,077*	*12,653*	*0*	*174*	*135,633*
Costs of checking operations	*5,796,966*	*0*	*0*	*0*	*0*	*0*	*0*	*489,339*	*27,537*	*197,851*	*6,511,693*
Independent auditors' reports	*583,793*	*16,092*	*0*	*0*	*0*	*30,674*	*29,504*	*210,538*	*30,717*	*0*	*901,318*
Administrative Advices	*145,943*	*180,986*	*56,485*	*100,869*	*0*	*13,245*	*32,955*	*218,972*	*367,289*	*290,363*	*1,407,107*
Labour consultancy	*4,400*	*5,967*	*1,282*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*11,649*
Tax advices	*884,528*	*12,223*	*0*	*4,445*	*86,071*	*14,488*	*20,666*	*29,632*	*31,005*	*147,024*	*1,230,082*
Fees for mediation (Interim)	*1,320*	*10,362*	*9,878*	*3,253*	*0*	*0*	*46,185*	*0*	*0*	*0*	*70,998*
Management and strategic consulting	*7,530,525*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*7,530,525*
Legal advices	*1,848,207*	*783*	*5,016*	*6,478*	*-22,836*	*6,547*	*54,544*	*186,647*	*36,360*	*116,357*	*2,238,103*
Notaries Servicies	*0*	*0*	*0*	*0*	*0*	*0*	*45*	*0*	*0*	*147*	*192*
Administrative services	**64,551,593**	**17,960**	**15,053**	**33,987**	**347,794**	**95,681**	**183,160**	**3,187,194**	**172,814**	**882,670**	**69,487,906**
Other administrative expenses	*6*	*0*	*4,350*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*4,356*
Admninistrative services and back office	*63,439,270*	*0*	*0*	*33,987*	*347,794*	*16,726*	*-490*	*3,187,194*	*136,655*	*836,895*	*67,998,031*
External storage services	*143,675*	*0*	*0*	*0*	*0*	*744*	*0*	*0*	*36,159*	*45,775*	*226,353*
Cost for service personnel	*968,642*	*17,960*	*10,703*	*0*	*0*	*78,211*	*183,650*	*0*	*0*	*0*	*1,259,166*
Informatic services	**470,982,492**	**5,796,099**	**6,361,097**	**8,898,177**	**1,588,354**	**0**	**35,015**	**189,321,768**	**0**	**0**	**682,983,002**
Fixed price systems management assistance	**300,297,380**	**24,925,975**	**3,482,444**	**6,600,245**	**14,733,714**	**112,491**	**507,110**	**107,698,474**	**687,863**	**341,264**	**459,386,960**
External costs capitalization	**-190,016,358**	**-792,693**	**-276,574**	**-345,459**	**-3,131,927**	**0**	**0**	**-70,103,299**	**-745,149**	**-445,923**	**-265,857,382**
Insurance	**2,908,849**	**0**	**0**	**-585**	**-12,053**	**0**	**0**	**18,905**	**14,643**	**77,954**	**3,007,713**
Data Transmission	**1,733,746**	**15,551**	**1,053,110**	**50,332**	**744,431**	**-30**	**15,844**	**1,024,878**	**115,459**	**151,167**	**4,904,488**
Infoprovider costs	**5,104,820**	**1,660,904**	**31,637**	**0**	**0**	**0**	**0**	**85,063**	**0**	**78,132**	**6,960,556**
Local and Building Expenses	**135,461,181**	**226,184**	**92,446**	**150,034**	**1,204,676**	**159,302**	**912,987**	**2,098,402**	**261,707**	**441,738**	**141,008,657**
Vigilance expenses	*26,773,197*	*0*	*0*	*0*	*0*	*0*	*16,721*	*0*	*0*	*4,868*	*26,794,786*
Security services	*2,369,667*	*679*	*599*	*1,424*	*0*	*0*	*-558*	*1,760,066*	*69,332*	*0*	*4,201,209*
Local charges for cleaning and waste disposal	*28,801,771*	*65,006*	*950*	*48,631*	*0*	*46,352*	*361,587*	*0*	*14,371*	*88,024*	*29,426,692*
Contracts health hands	*993,145*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*993,145*
Energy and power	*54,918,046*	*124,308*	*56,550*	*56,448*	*180,738*	*60,599*	*392,051*	*0*	*104,060*	*52,339*	*55,945,139*
Utilities - Water	*2,239,024*	*10,529*	*19,318*	*2,022*	*0*	*6,332*	*18,629*	*0*	*0*	*0*	*2,295,854*
Heating expenses	*5,697,693*	*0*	*0*	*0*	*0*	*13,372*	*70,839*	*0*	*0*	*49,959*	*5,831,863*
Cost of building shopping cent. with VAT	*9,273,904*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*9,273,904*
Telephone	*4,394,734*	*25,662*	*15,029*	*41,509*	*1,023,938*	*32,647*	*53,718*	*338,336*	*73,944*	*246,548*	*6,246,065*
Representation expenses	**49,793**	**3,689**	**913**	**0**	**366**	**0**	**0**	**12,352**	**991**	**0**	**68,104**
Transport and shipments	**657,421**	**0**	**0**	**0**	**0**	**11,488**	**17,250**	**64,006**	**19,314**	**2,973**	**772,452**
Training expenses	**1,349,475**	**67,754**	**31,191**	**140,894**	**12,543**	**238,925**	**453,608**	**1,372,267**	**0**	**1,161**	**3,667,818**
Hardware and software Maintenance	**59,132,516**	**4,481,826**	**2,487,676**	**4,866,059**	**3,660,462**	**79,056**	**55,779**	**40,337,131**	**871,419**	**892,478**	**116,864,402**
Hardware and ICT plants Maintenance	*9,029,587*	*1,391,799*	*525,726*	*667,369*	*1,375,124*	*70,328*	*53,322*	*14,520,578*	*266,620*	*273,265*	*28,173,718*
Software Maintenance	*50,102,929*	*3,090,027*	*1,961,950*	*4,198,690*	*2,285,338*	*8,728*	*2,457*	*25,816,553*	*604,799*	*619,213*	*88,690,684*

Information on the income statement (Continued)

Continued

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Building Maintenance	23,352,824	7,886	43,936	26,417	0	12,945	1,103,552	676,846	3,172	71,349	25,298,927
Forniture, machines and equipments maintenance	13,634,985	17,509	397	9,443	0	1,002	6,449	-8,552	0	1,828	13,663,061
Other maintenance	2,605	26	111	0	0	0	0	93,228	0	0	95,970
Logistic services	924,337	15,364	0	11,978	681	4,820	75,949	66,522	2,204	8,073	1,109,928
Real estate services	1,463,989	0	0	0	0	27,106	3,461	2,896,256	5,215	0	4,396,027
Travel Expenses	3,916,931	80,759	17,496	71,016	262,073	260,980	1,442,760	1,244,552	0	432	7,296,999
Convention and internal comunication	37,971	2,081	570	495	0	7,477	7,141	62,893	7,431	0	126,059
Advertising expenses, marketng expenses and sponsorship	376,670	0	0	641	7,295	2,194	53,297	98,098	5,711	0	543,906
Collector accounts	32,330,937	0	0	0	0	0	0	0	0	0	32,330,937
Other expenses	7,617,598	53,138	-33,040	497,815	8,813	181,662	187,329	610,532	38,019	15,192	9,177,058
Postal expenses	*4,859,424*	*1,070*	*1,074*	*955*	*2,252*	*715*	*0*	*0*	*884*	*15,020*	*4,881,394*
Drawback fees for Ticket Services	*2,404,813*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*2,404,813*
Other expenses	*353,361*	*52,068*	*-34,114*	*496,860*	*6,561*	*180,947*	*187,329*	*610,532*	*37,135*	*172*	*1,890,851*
TOTAL	953,615,797	36,828,743	13,381,124	21,136,934	19,486,406	1,263,933	5,268,550	281,988,192	1,952,833	3,272,404	1,338,194,916

Costs for use of third-party assets

The item includes costs for:

(Amounts given in €)

	2016	2015	VARIATIONS
Rental expenses for real estate	394,953,172	407,107,313	-12,154,141
Rental car	3,185,128	2,753,125	432,003
Rental office equipment and software ICT	17,541,612	16,364,627	1,176,985
Financial Leasing Rent	0	68,714	-68,714
TOTAL	**415,679,912**	**426,293,779**	**-10,613,867**

The item Rent expense for leased properties consists of rent for the lease of premises that are sub-leased to Group companies for the conduct of their business.

The value of the business sold, which was reclassified in item “net income from discontinued operations”, amounted to € 1,109,080 in 2016 and € 36,568 in 2015.

A breakdown of Costs for use of third-party assets by Country is provided below:

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Rental expenses for real estate	344.779.846	1.465.670	202.542	902.016	4.686.818	1.188.432	3.227.236	37.103.225	690.448	706.939	394.953.172
Rental car	1.529.203	6.932	5.267	74.837	0	0	0	1.568.889	0	0	3.185.128
Rental office equipment and software ICT	8.598.489	0	93.380	11.200	134.979	46.406	0	8.616.182	32.311	8.665	17.541.612
TOTAL	**354.907.538**	**1.472.602**	**301.189**	**988.053**	**4.821.797**	**1.234.838**	**3.227.236**	**47.288.296**	**722.759**	**715.604**	**415.679.912**

Personnel expenses

The item is made up of:

(Amounts given in €)

	2016	2015	VARIATION
Wages and salaries	**389,247,974**	**351,338,588**	**37,909,386**
Social securities charges	**99,980,656**	**97,691,142**	**2,289,514**
Provisions for emploiment severance indemnities	**1,438,495**	**1,628,055**	**-189,560**
Accrual retirement provisions	**11,301,227**	**6,530,878**	**4,770,349**
Other personnel expenses	**192,342,654**	**122,389,681**	**69,952,973**
External supplementary pension funds payments	*16,559,765*	*15,084,868*	*1,474,897*
Share-based payments expenses	*359,278*	*2,738,636*	*-2,379,358*
Incentives plans	*135,468,652*	*47,449,321*	*88,019,331*
Seniority bonuses	*1,317*	*0*	*1,317*
Other employee benefits	*18,895,692*	*34,277,096*	*-15,381,404*
Seconded employee costs	*7,691,034*	*8,761,453*	*-1,070,419*
Job administer	*1,507,682*	*1,020,656*	*487,026*
Admin. Expenses	*209,790*	*222,901*	*-13,111*
Statutory auditor fees	*101,453*	*98,740*	*2,713*
Meal subsidy	*6,354,937*	*5,705,629*	*649,308*
Insurance policies for personnel	*7,144,828*	*5,237,556*	*1,907,272*
Other personnel expenses: other	*-1,951,773*	*1,792,824*	*-3,744,597*
Recovery of personnel expenses	**-11,125,164**	**-13,190,324**	**2,065,160**
Seconded employees recovery expenses	*-8,656,628*	*-10,145,885*	*1,489,257*
Admin. Payable recovery	*-62,435*	*-85,820*	*23,385*
Other personnel reimbursement	*-2,406,101*	*-2,958,619*	*552,518*
Recovery of capitalized costs	**-63,893,032**	**-54,972,632**	**-8,920,400**
TOTAL	**619,292,810**	**511,415,388**	**107,877,422**

The increase in personnel costs was mainly attributable to the new Redundancy Plan for managers and employees in Italy and Germany (€ 135,468,652) compared to the previous year, which had recorded a provision of € 52,920,526, and to the merger of UGBS GmbH into UniCredit Business Integrated Solutions S.C.p.A. in the early months of 2016, whose impact is of about € 49 million. Net of the above-mentioned effects, the cost of personnel seems to be lower in comparison to the previous year.

External supplementary pension funds payments included the TFR tranche paid to INPS.

The value of the business sold, which was reclassified in item “net income from discontinued operations”, amounted to € 17,162,247 in 2016 and € 16,911,760 in 2015.

Information on the income statement (Continued)

A breakdown of Personnel expenses by country is provided below:

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Wages and salaries	204,672,026	5,998,093	2,004,710	5,767,263	9,754,132	8,981,373	19,991,782	126,587,224	1,980,700	3,510,671	389,247,974
Social securities charges	63,425,258	2,140,662	713,284	2,080,697	2,021,196	1,594,557	4,989,486	22,001,388	235,596	778,532	99,980,656
Provisions for emploiment severance indemnities	1,438,495	0	0	0	0	0	0	0	0	0	1,438,495
Accrual retirement provisions	0	0	0	0	0	0	0	11,301,227	0	0	11,301,227
Other personnel expenses	138,840,344	1,139,709	640,022	992,649	1,245,244	854,112	3,072,951	43,982,297	392,216	1,183,110	192,342,654
External supplementary pension funds payments	*12,357,592*	*0*	*0*	*0*	*77,117*	*0*	*0*	*4,125,056*	*0*	*0*	*16,559,765*
Share-based payments expenses	*318,253*	*164*	*0*	*0*	*0*	*0*	*0*	*40,861*	*0*	*0*	*359,278*
Incentives plans	*108,361,778*	*5,421*	*3,505*	*0*	*59,218*	*0*	*0*	*27,038,730*	*0*	*0*	*135,468,652*
Seniority bonuses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*1,317*	*0*	*1,317*
Other employee benefits	*8,228,570*	*319,213*	*81,188*	*287,804*	*181,147*	*369,224*	*881,482*	*8,337,178*	*56,958*	*152,928*	*18,895,692*
Seconded employee costs	*4,017,964*	*437,229*	*283,207*	*473,597*	*74,357*	*65,519*	*699,904*	*1,639,257*	*0*	*0*	*7,691,034*
Job administer	*-35,894*	*296,965*	*172,115*	*10,676*	*215,106*	*0*	*545,800*	*70,559*	*165,265*	*67,090*	*1,507,682*
Admin. Expenses	*209,790*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*209,790*
Statutory auditor fees	*101,453*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*101,453*
Meal subsidy	*3,402,633*	*140,536*	*47,731*	*921*	*0*	*181,956*	*767,298*	*1,809,326*	*2,818*	*1,718*	*6,354,937*
Insurance policies for personnel	*5,253,545*	*35,254*	*0*	*0*	*470,997*	*33,075*	*176,226*	*178,029*	*58,964*	*938,737*	*7,144,828*
Other personnel expenses: other	*-3,375,340*	*-95,073*	*52,276*	*219,651*	*167,302*	*204,338*	*2,241*	*743,301*	*106,894*	*22,637*	*-1,951,773*
Recovery of personnel expenses	-8,746,239	262,911	273,392	-170,040	-343,802	-143,740	-451,707	-1,805,939	0	0	-11,125,164
Seconded employees recovery expenses	*-4,837,769*	*-287,743*	*286,271*	*-170,040*	*-430,160*	*-145,809*	*-945,820*	*-2,125,558*	*0*	*0*	*-8,656,628*
Admin. Payable recovery	*-62,435*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-62,435*
Other personnel reimbursement	*-3,846,035*	*550,654*	*-12,879*	*0*	*86,358*	*2,069*	*494,113*	*319,619*	*0*	*0*	*-2,406,101*
Recovery of capitalized costs	-45,278,436	-44,385	-78,317	-191,112	-466,653	0	0	-17,799,255	-34,874	0	-63,893,032
TOTAL	354,351,448	9,496,990	3,553,091	8,479,457	12,210,117	11,286,302	27,602,512	190,764,970	2,573,638	5,472,313	619,292,810

Amortisation, depreciation and impairment losses

Depreciation and amortization of tangible and intangible assets for the year 2016 amounted to €566,369,935.

The increase in the item Impairment Losses is mainly attributable to the recognition in November and December 2016 of impairment losses on Software assets, as a result of the Decommissioning program which identified software applications no longer in use and to be divested for € 217,773,049 and unused machinery for € 1,168,077.

The value of the business sold, which was reclassified in item “net income from discontinued operations”, amounted to € 14,125,878 in 2016 and € 13,293,671 in 2015.

A breakdown is provided below:

(Amounts given in €)

	2016	2015	VARIATIONS
Amortization of tangible assets	60,501,947	62,840,945	-2,338,998
Amortization of buildings held for functional use	*148,271*	*148,271*	*0*
Amortization of plants and equipments	*54,405,655*	*57,124,802*	*-2,719,147*
Amortization of industrial and commercial equipments	*944,886*	*945,321*	*-435*
Amortization other assets	*5,003,135*	*4,622,551*	*380,584*
Amortization of intangible assets	286,598,235	256,623,226	29,975,009
Amortization of industrial patent right and use of intellectual works	*267,246,444*	*239,617,321*	*27,629,123*
Amortization of concessions, licences, trademarks, and similar	*19,336,340*	*17,003,745*	*2,332,595*
Amortization of other intangible assets	*15,451*	*2,160*	*13,291*
Impairment losses	219,269,753	8,232,383	211,037,370
Adjustment Software	*217,773,049*	*8,174,481*	*209,598,568*
Provision for bad debts	*328,627*	*57,902*	*270,725*
Adjustment Plants and equipments	*1,168,077*	*0*	*1,168,077*
TOTAL	566,369,935	327,696,554	238,673,381

Other provisions

(Amounts given in €)

	2016	2015	VARIATIONS
Labour litigation charges	**449,360**	**583,989**	**-134,629**
Other provisions	**52,400,632**	**53,782,472**	**-1,381,840**
Provision for litigation	*338,751*	*362,150*	*-23,399*
Provision for other risks and charges	*52,061,881*	*53,420,322*	*-1,358,441*
TOTAL	**52,849,992**	**54,366,461**	**-1,516,469**

The increase in "Other provisions for risks and charges" is mainly due to the following provisions:

- tax provision following an inspection by the Revenue Agency, which started in July 2015 and ended in 2016, amounting to € 7,894,178 of which € 5,828,041 for taxes and € 2,066,137 for penalties;
- provision for costs relating to the restoration of the original structures following the release of the building in Naples, Via Verdi 31, and the settlement agreement with REAM SGR regarding certain properties in Turin and Milan for a total of € 4,550,000. These provisions are part of our customary activities designed to seek solutions that minimize operational risks;
- provision for risk associated with possible application of VAT on the sale of the division to P4cards S.r.l. with regard to the assets and liabilities of our German branch for € 3,516,330;
- provision for expected losses in 2017 on the Mach project at our Branch in the Czech Republic for € 9,000,000;
- provision for termination fees in relation to the cancellation of the contract with Accenture, as a result of the interruption of the project started in 2016 for the creation of a global payment platform for € 27,652,608.

Other operating expenses

The item mainly consists of:

- non-deductible VAT paid by the Italian Head Office for services received from the subsidiary UniCredit Business Integrated Solutions GmbH (€41,824,338);
- registry tax on payable rental contracts, municipal taxes for urban waste and exchange losses of foreign branches expressed in currencies other than the Euro;
- amount paid to V-TServices S.p.A. amounting to € 50,048,340 as a trade agreement mainly related to extra services included in the baseline.

(Amounts given in €)

	2016	2015	VARIATIONS
Indeducible VAT	41,824,338	33,439,869	8,384,469
Indirect taxes	14,664,218	7,725,799	6,938,419
Registry tax	*3,811,166*	*3,864,437*	*-53,271*
Waste disposal tax	*1,525,301*	*1,879,337*	*-354,036*
Stamp duty	*31,181*	*38,286*	*-7,105*
Other indirect taxes	*9,296,570*	*1,943,739*	*7,352,831*
Amortization of third parties goods improvements	17,120,987	13,912,657	3,208,330
Social initiatives	31,448	19,724	11,724
Partecipation in associations	186,891	237,883	-50,992
Loss on exchange	2,388,787	4,206,353	-1,817,566
Other expenses	57,651,589	43,462,004	14,189,585
TOTAL	**133,868,258**	**103,004,289**	**30,863,969**

Information on the income statement (CONTINUED)

Financial revenues

Financial revenues consist mainly of interest accrued on current accounts held by the company.

(Amounts given in €)

	2016	2015	VARIATIONS
Dividends	300,000	300,000	0
Active interest on bank deposits	2,279	7,201	-4,922
Active interests on guarantee depositis	59,926	20,945	38,981
Other financial income	1,048,208	1,142,895	-94,687
TOTAL	**1,410,413**	**1,471,041**	**-60,628**

The item Dividends includes the dividend received from the joint venture V-TServices S.p.A..
The item Other financial revenues includes active interest on reimbursement of IRAP taxes and the discounting of ES SSC PUT option.

Financial expenses

The item Financial expenses consists of interest paid to UniCredit S.p.A. for the credit facilities on current bank accounts and loans. The negative value is due to the decline in the interest rate charged on the credit line.
The amount related to interest on loans refers to loans outstanding and/or expired during 2016.
The monthly average liquidity need in 2016 was €1,387,500,000 at an average negative rate of 0.048%.
The item Interest expense on finance leases declined to zero as the lease expired in 2015.

(Amounts given in €)

	2016	2015	VARIATIONS
Financial expenses on financing	-596,779	1,561,220	-2,157,999
Financial expenses on financial leasing	0	6,160	-6,160
Financial expenses on deafult interest	55,163	29,675	25,488
Financial expenses on bank deposits	426,779	767,352	-340,573
Financial expenses on guarantees	972,770	1,155,975	-183,205
Other financial expenses	-269	-33,377	33,108
TOTAL	**857,664**	**3,487,005**	**-2,629,341**

Net income from discontinued operations

This chart outlines the values related to the sale of the investment in P4cards to SIA S.p.A. and their origin from the individual income statement items.

(Amounts given in €)

	2016	2015
from "Revenues from sales and services"	13,026,086	18,017,441
from "Cost of raw materials, supplies, consumables and goods"	-4,194,026	-1,923,895
from "Services"	-9,866,927	-8,205,132
from "Costs for use of third party assets"	-1,109,080	-36,568
from "Personnel costs"	-17,162,247	-16,911,760
from "Depreciation and impairment"	-14,125,878	-13,293,671
from "financial revenues"	445,659,902	0
Result from discontinued operations	**412,227,830**	**-22,353,584**

The item Revenues from sales and services refers to activities carried out for companies not pertaining the Group.

The item Financial income includes a capital gain generated by the sale to SIA S.p.A. on 31/12/2016 of the investment in P4cards, recognized in the accounts for €49,240,098 and sold at a price of € 494,900,000.

Current, pre-paid and deferred taxes for the financial year

(Amounts given in €)

	IRES	IRAP	TOTAL
CURRENT TAXES	20,298,854	5,295,000	25,593,854
VARIATIONS IN CURRENT TAXES PREVIOUS YEARS	9,957,617	226,105	10,183,722
DEFERRED TAX INCOME	-52,950,025	110,577	-52,839,448
DEFERRED TAX EXPENSE	-78,244	-6,109	-84,353
TOTAL 12.31.2016	**-22,771,798**	**5,625,573**	**-17,146,225**

Reconciliation between theoretical tax and actual tax budget

IRES 27.50%

(Amounts given in €)

Profit resulting from income statement before tax	**-14,574,043**
Applicable theoretical rate	**27.5%**
Theoretical taxes	**4,007,862**
Tax effects deriving from	
Non taxable revenue - permanent differences	116,513,845
Non deductible fiscal costs - permanent differences	-59,909,657
Other deductible costs - permanent differences	57,215
Other differences - amendment to rate on deferred taxes	-3,498,865
Other differences	-34,398,602
Income taxes recognised in the income statement - A	**22,771,798**

IRAP 4.82%

Difference between positive and negative components	**652,076,494**
Applicable theoretical rate	**4.82%**
Theoretical taxes	**-31,430,087**
Tax effects deriving from	
Non taxable revenue - permanent differences	*510,173*
Other taxable revenue - permanent differences	*-2,088,936*
Insignificant costs - permanent differences	*-668,528*
Other deductible costs - permanent differences	*28,368,278*
Other differences	*-316,473*
Income taxes recognised in the statement - B	**-5,625,573**
INCOME TAXES A + B	**17,146,225**

Tax litigation

With reference to the litigation in progress, as we consider the risk deriving from the tax authorities' claims remote, no specific provision has been set aside.

Information on the income statement (Continued)

Detailed Statement of Comprehensive Income

(Amounts given in €)

	ITEMS	GROSS AMOUNT	INCOME TAX	NET AMOUNT
10.	Profit (Loss) for the year	-14.574.043	17.146.225	2.572.182
	Other comprehensive income net of taxes not reversed to Income Statement			
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined benefit plans	-44.205.227	6.025.373	-38.179.854
50.	Non-current assets held for disposal			
60.	Portion of valuation reserves for equity investments valued at equity			
	Other comprehensive income reversed to Income Statement			
70.	Foreing investment hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
80.	Exchange rate differences:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
90.	Cash flow hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
100.	Available-for-sale financial assets:			
	a) changes in fair value			
	b) reversal to income statement			
	- adjustments due to impairment			
	- profit/losses from sales			
	c) other changes			
110.	Non-current assets held for disposal			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
120.	Portion of valuation reserves for equity investments valued at equity			
	a) changes in fair value			
	b) reversal to income statement			
	- adjustments due to impairment			
	- profit/losses from sales			
	c) other changes			
130.	Total other comprehensive income	-44.205.227	6.025.373	-38.179.854
140.	Total comprehensive income (Voce 10+130)	-58.779.270	23.171.598	-35.607.672

Other information

Management and coordination

In accordance with Article 2497 bis, subsections 4 and 5, introduced by the reform of company law on management and coordination reporting requirements, the key figures of the last financial statements of UniCredit S.p.A., which exercises management and coordination over the Company, are summarised in the tables below.

UniCredit S.p.A. - Balance sheet and Income Statement for the year ended 31/12/2015.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

(million of €)

ASSETS	
Cash and cash equivalents	2,460
Financial trading assets	13,721
Loans and advances to banks	22,062
Loans and advances to customers	215,175
Financial investments	112,362
Hedges	8,714
Property and equipment	2,405
Goodwill	-
Other intangible assets	6
Tax assets	12,554
Non-current assets and disposal groups classified as held for sale groups in track of disposal	238
Other assets	4,675
TOTAL ASSETS	**394,372**

LIABILITIES AND EQUITY	
Deposit from banks	37,466
Customer deposits and securities	278,885
Financial trading liabilities	10,672
Financial liabilities valued at fair value	-
Hedges	9,669
Provision for risks and charges	2,601
Tax liabilities	152
Liabilities associated with disposal groups classified as assets held for sale	-
Other liabilities	8,402
Equity	46,525
- share capital and reserves	*47,151*
- reserves for valuation of assets available for sale and of cash-flow hedge	*815*
- loss for the year	*-1,441*
Total liabilities and total equity	**394,372**

RECLASSIFIED INCOME STATEMENT - 2015

(million of €)

Net interest	4,035
Dividends and other income from investments	1,476
Net commissions	3,868
Net gains on trading, hedges and fair value	446
Other expense	-86
OPERATING INCOME	**9,739**
Personnel expense	-3,273
Other administrative expenses	-2,817
Recovery of expenses	598
Inpairment losses on property and equipment and intangible assets	-128
Operating costs	**-5,620**
OPERATING PROFIT	**4,119**
Net impairment of loans and provisions for guarantees	-2,667
NET OPERATING PROFIT	**1,452**
Net provisions for risks and charges	-622
Integration charges	-537
Net losses on investments	-2,008
GROSS LOSS FROM CONT. OPERAT.	**-1,715**
Income taxes for the financial year	274
Impairment of goodwill	-
LOSS FOR THE YEAR	**-1,441**

Other information (Continued)

Transactions with related parties

The objective of IAS 24 is to ensure that the Company's financial statements contain any additional information as may be necessary to ascertain whether its financial position and results of operations have been altered by the existence of related parties and by transactions and balances in place with such parties.

A party is related to an entity if:

a. directly or indirectly, through one or more intermediaries, such party:
   - controls the entity, is controlled by it, or is under common control (including controlling entities, subsidiaries and affiliates);
   - holds an interest in the entity such that it may exercise significant influence over the entity or, it has joint control over the entity;

b. the party is an associate of the entity;

c. the party is a joint venture in which the entity is a venturer;

d. the party is one of the key management personnel of the entity or of its parent;

e. the party is a close relative of one of the parties referred to in points (a) or (d);

f. the party is controlled, jointly controlled or significantly influenced by any of the parties referred to in (d) or (e), or such parties directly or indirectly hold a significant share of voting rights;

g. the party is a pension fund for employees of the entity or of any other entity related to it.

The following table summarizes the transactions carried out with subsidiaries, parent companies, companies controlled by the latter and other Companies.

	12.31.2016				
	CONTROLLING ENTITY	CONTROLLED ENTITIES		ENTITIES CONTROLLED BY CONTROLLER	OTHER COMPANIES
BALANCE SHEET	UNICREDIT	UNI IT	UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA G.M.B.H.	UNICREDIT BUSIENSS INTEGRATED SOLUTIONS SRO	OTHER RELATED PARTIES
ASSETS					
Financial Assets Availables for Sales	0	0	0	1,000	0
Other Non Current Activities	0	0	0	277,485	0
NON CURRENT ASSETS	**0**	**0**	**0**	**278,485**	**0**
Trade Receivables	138,357,188	-14,013	42,573,218	178,995,237	140,815,115
Other Current Activities	128,948	13,207	0	24,454,061	0
Cash and Cash Equivalents	122,480,365	0	0	88,226,486	0
CURRENT ASSETS	**260,966,501**	**-806**	**42,573,218**	**291,675,784**	**140,815,115**
TOTAL ASSETS	**260,966,501**	**-806**	**42,573,218**	**291,954,269**	**140,815,115**
Non-current liabilities					**0**
NON CURRENT LIABILITIES	0	0	0	-39,334	0
Short-term borrowings	1,644,855,310	0	0	0	0
Trade payables	11,835,485	931,151	38,802,742	11,399,633	26,184,193
Other current liabilities	10,503,030	0	81	8,934,983	0
CURRENT LIABILITIES	**1,667,193,825**	**931,151**	**38,802,823**	**20,334,615**	**26,184,193**
TOTAL LIABILITIES	**1,667,193,825**	**931,151**	**38,802,823**	**20,295,281**	**26,184,193**

(Importi espressi in unità di €)

PROFIT & LOSS	12.31.2016 CONTROLLING ENTITY UNICREDIT	CONTROLLED ENTITIES UNI IT	CONTROLLED ENTITIES UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA G.M.B.H.	CONTROLLED ENTITIES CONSORZIO QUENIT	ENTITIES CONTROLLED BY CONTROLLER OTHERS	OTHER COMPANIES OTHER RELATED PARTIES
Revenues from sales and services	1,537,634,851	152,330	78,093,832	2,233,110	871,647,908	64,049,049
Other revenues and incomes	94,835,807	0	23,412	0	551,296	0
Total value of production	**1,632,470,657**	**152,330**	**78,117,244**	**2,233,110**	**872,199,204**	**64,049,049**
Costs for raw materials, subsidiary material, consumables and goods	0	0	0	0	118,866	0
Costs for services	11,187,510	2,406,288	67,294,319	0	14,678,961	785,100,407
Costs for use of third-party assets	20,087,542	0	0	0	52,802,338	20,110,965
Personnel expenses	-189,332	-415,257	-2,167,390	0	2,943,049	24,728,893
Other operating charges	78,978	0	0	11,664	2,164,844	0
Total cost of production	**31,164,698**	**1,991,032**	**65,126,930**	**11,664**	**72,708,057**	**829,940,265**
Financial income	1,185	0	0	0	1,096	300,000
Financial expenses	559,509	0	0	0	135,090	0
Net financial incomes/expenses	**560,695**	**0**	**0**	**0**	**136,186**	**300,000**

The Other Companies column includes the amounts relating to Value Transformation Services S.p.A., Accenture Back Office and Administration Services S.p.A. and ES Shared Service Center S.p.A..

Disclosure of fees for independent auditing and related services as prescribed by Article 149-duodecies of the Consob Regulation for Issuers

Pursuant to the provisions of Article 149 duodecies of Consob Issuers' Regulation, the following table provides information on the fees paid to the independent auditors, Deloitte & Touche S.p.A. and to companies that are part of the same network for the following services:

1) Auditing services including:
   - auditing the businesses' annual accounts and providing a professional opinion;
   - auditing the interim accounts.
2) Attestation services including services under which the independent auditor assesses a specific element, determined by another subject that is responsible for it, according to appropriate criteria, in order to express an opinion which can provide the recipient with a degree of assurance in relation to that specific element. This category also includes services relating to the auditing of regulatory accounting.
3) Other non-audit services which include IT services, which must be properly detailed. These services include but are not limited to: costs for feasibility studies, functional and technical analyses for development of code for software assigned to third parties other than companies in the Deloitte Network.

The fees for 2016 stated in the table are those contractually agreed, including any indexing (and not including out-of-pocket expenses, supervisory contributions and VAT). They represent the costs incurred for the audit activities by the Italian headquarters of UniCredit Business Integrated Solutions S.C.p.A. and its foreign Branches.

(Amounts given in €)

TYPE OF SERVICE	SERVICE PROVIDER	SERVICE RECIPIENT	FEES
Independent auditing of the Annual Financial Statements and limited auditing procedures on the interim accounting statements	DELOITTE & TOUCHE S.p.A.	UniCredit Business Integrated Solutions S.C.p.A.	434,158
Other non-auditing services	DELOITTE NETWORK	UniCredit Business Integrated Solutions S.C.p.A.	6,161,890

Other information (Continued)

A. QUALITATIVE INFORMATION

1. Description of share-based payment agreements

1.1 Outstanding instruments

Medium-long term incentive plans for employees include the following types of instruments:
- Equity-Settled Share Based Payments;
- Cash-Settled Share Based Payments.

The first category includes the following:
- **Stock Options** allocated to selected Top & Senior Management and Key Talents of the Group and consisting of subscription rights for UniCredit shares;
- **Group Executive Incentive System** offering variable compensation to selected Executives the payment of which will take place within five years. The beneficiaries receive a payment in cash and/or shares, based on the satisfaction of performance conditions (other than market conditions) as defined by the Plans regulation;
- **Group Executive Incentive System (Bonus Pool)** that offers a selected group of Executives and key personnel identified in accordance with regulatory requirements, a bonus structure consisting of immediate payments (based on performance appraisal) and deferred payments, in cash and in UniCredit ordinary shares, over a period of between 1 and 6 years. This payment structure ensures alignment with the shareholders' interests and is subject to verification of malus clauses (which apply if specific profitability, capital and liquidity thresholds are not reached at the Group and/or country/division level) and clawback clauses (to the extent legally applicable) as set forth in the plan rules (both are vesting conditions other than market conditions);
- **Employee Share Ownership Plan** (ESOP - Let's Share) that offers the Group eligible employees the opportunity to purchase UniCredit ordinary shares with the advantage of being allocated a number of bonus shares ("Free Shares" or rights to receive them) that is measured on the number of shares purchased by each Participant ("Investment shares") during the "subscription Period". The allocation of free shares is dependent on the satisfaction of vesting conditions (other than market conditions) defined by the Plans regulation.

The second category includes the following:
- allocations similar to Share Appreciation Rights linked to the share value and performance results of some Group companies[1];
- other equity instruments (phantom shares) used for the 2015 Group Incentive System intended for Fineco Bank financial advisors, subject to the verification of malus and clawback clauses (to the extent legally applicable) as set forth in the plan rules.

It is also noted that, consistent with the provisions contained in the seventh update of Bank of Italy Circular 285 of November 19, 2014 (Remuneration and Incentive Policies and Practices), the settlement of part of the so-called golden parachute (severance, severance bonuses and/or retirement incentives) in favor of key personnel is made through Equity Settled Share Based payments consisting of deferred payments in UniCredit ordinary shares not subject to vesting conditions.

1.2 Evaluation model

1.2.1 Stock Option

The Hull and White model was adopted to estimate the economic value of stock options.
The model is based on a trinomial tree price distribution that is calculated with the Boyle's algorithm and which estimates the probability of early exercise according to a deterministic model linked to:
- achievement of a Market Value equal to a multiple (M) of the exercise price;
- the probability of beneficiaries' early exit (E) when the Vesting Period has expired.

All Profit and Loss and Net Equity effects of the plan will be accounted for during the vesting period of the instruments.
No new stock option plans were assigned in 2016.

1.2.2 Group Executive Incentive System

The incentive amount is determined based on the achievement of qualitative and quantitative targets described in the plan. In particular, achievement of the objectives is determined in percentage terms variable from 0% to 150% (non-market vesting conditions).
This percentage, adjusted through the application to the first payment of a risk/sustainability factor - Group Gate - and multiplied by the amount of the incentive, determines the actual amount that will be paid to the beneficiary.
The Profit and Loss and Equity effects will be spread over the term of the Plans.

1. Pioneer Global Asset Management.

1.2.3 Group Executive Incentive System (Bonus Pool)

The economic value of the shares granted is equal to their market price reduced by the present value of dividends not allocated in the period between the promise date and the future delivery of the share.
The Profit and Loss and Equity effects will be spread over the term of the Plans.

Group Executive Incentive System "Bonus Pool 2015" – Shares

The economic value of the shares granted is equal to their market price reduced by the present value of dividends not allocated in the period between the promise date and the future delivery of the share.
The plan is divided into clusters, each of which can have two to three share-based payment installments deferred according to the time interval defined by the plan rules.

	ALLOCATED SHARES GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2015			
	INSTALLMENT (2018)	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)
Date of allocation Economic Value Bonus Opportunity	21-Jan-2015	21-Jan-2015	21-Jan-2015	21-Jan-2015
Date number of Shares defined - Date of Board resolution	15-Mar-2016	15-Mar-2016	15-Mar-2016	15-Mar-2016
Vesting period start date	01-Jan-2015	01-Jan-2015	01-Jan-2015	01-Jan-2015
Vesting period expiry date	31-Dec-2015	31-Dec-2017	31-Dec-2018	31-Dec-2019
UniCredit Share Market Price [€]	3.411	3.411	3.411	3.411
Economic value of vesting conditions [€]	-0.261	-0.492	-0.814	-1.175
Unit value of Performance Shares at promise date [€] (*)	**3.150**	**2.919**	**2.597**	**2.236**

(*) The same unit values are used to calculate the charges related to share based payments for the settlement of golden parachutes.

Group Executive Incentive System 2016 (Bonus Pool)

The new 2016 incentive system is based on a bonus pool approach, in line with regulatory requirements and market practices, which sets out:
- its sustainability, through a direct link with business results, and alignment to the relevant risk categories, using specific indicators that reflect the risk appetite framework;
- the link between the bonuses and the organizational structure, the bonus pools being defined at country/Division level with further review at Group level;
- the bonus allocation to beneficiaries identified as Executives and other key staff, identified on the basis of the criteria provided by the European Banking Authority Regulations (EBA), and to other specific roles, based on local regulatory requirements;
- a payment structure distributed over a period of six years and consisting of a mix of cash and shares, in line with recent regulatory requirements set forth in Directive 2013/36/EU (CRD IV).

All Profit and Loss and Net Equity effects will be booked during the vesting period of the instruments.

1.2.4 Employee Share Ownership Plan (Let's Share Plan for 2016)

The following tables show the parameters for the Free Shares (or rights to receive them) linked to the "Employee Share Ownership Plan" approved in 2015.

Free Share ESOP 2016 evaluation

	FREE SHARE
Grant date of Free Shares to Group employees	29-July-2016
Vesting period start date	29-July-2016
Vesting period expiry date	29-July-2017
Fair Value per unit of Free Shares [€]	**2.058**

All Profit and Loss and Equity effects of the plan, referred to the Free Shares allocated, will be recognized during the vesting period (except for the adjustments, in line with the Plan Rules, which will be recorded in the first reporting period after the vesting period).
The Let's Share plan for 2016 envisages the use of shares to be purchased on the market. To this end, the Participants give a mandate to a broker to purchase the shares which will be deposited in an account in their name.

Other information (Continued)

B. QUANTITATIVE INFORMATION

2. Other information

Share Ownership Plan 2016 for employees of the UniCredit Group (Let's Share Plan for 2017)

In April 2016, the ordinary Shareholders' Meeting of UniCredit approved the 2016 Share Ownership Plan for Employees of the UniCredit Group (Let's Share for 2017) that offers eligible Group employees the opportunity to purchase UniCredit shares at favorable conditions, in order to strengthen the sense of belonging and commitment to the achievement of corporate goals.
With reference to the Let's Share Plan for 2017, UniCredit may, at its discretion, provide for two enrolment periods:
- 1st enrolment period: by the end of the first half of 2017;
- 2nd enrolment period: by the end of the second half of 2017.

The Let's Share plan for 2017 envisages that:
- during the "Subscription Period", which will be communicated in due time to the participants, the latter will be able to buy UniCredit ordinary shares ("Investment Shares") on a monthly basis, or as a one-off purchase;
- at the beginning of the Subscription Period, each Participant will receive a discount in the form of shares ("Free Share") equivalent to 25% of the total shares purchased; the Free Shares will be locked up for a year ("Holding Period") and the Participants will lose ownership of the shares it they cease to be an employee of a company of the UniCredit Group before the end of the Holding Period, except where the termination of service is due to reasons stated in the Plan Rules. For fiscal reasons, in some countries it is not possible to grant the Free Shares at the end of the subscription period: in this case, an alternative scheme is in place which grants the Participants of those countries the right to receive the Free Shares at the end of the Holding Period ("Alternative Scheme");
- during the "Holding Period" the Participants can sell their Investment Shares at any time, but they will lose the corresponding Free Shares (or rights to receive them).

The Free Shares qualify as "Equity Settled Share-based Payments" as the Participants will receive equity instruments issued by UniCredit as remuneration for the economic value of the services rendered by them to the companies in which they are employed. The unit value of the Free Shares (or rights to receive them) will be measured at the beginning of the Subscription Period based on the price paid by Participants to buy the first tranche of the Investment Shares on the market.

All Profit and Loss and Net Equity effects related to Let's Share for 2017 will be booked during the holding period.
The Let's Share for 2017 plan has not produced any effects on the 2016 Financial Statements.

Effects on Income Performance

All the Share-Based Payments assigned after 7 November 2002, whose vesting period ends after 1 January 2005, fall within the sphere of application of the legislation.

Financial Statement Presentation Related to Share Based Payments

(€ thousands)

	2016		2015	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
Costs	**1,007**		**4,822**	
- *Related to Equity Settled Plans*	*359*		*2,739*	
- *Related to Cash Settled Plans*	*648*		*2,084*	
- Amounts paid to UniCredit S.p.A. in relation to vested plans		**3,730**		**450**
- Amounts paid to employees in relation to Cash Settled plans		**1,836**		**1,677**
- Liability accrued towards UniCredit S.p.A.	**4,414**	**-**	**7,416**	**-**
- Liability accrued towards employees for Cash Settled plans	**1,753**	**-**	**2,671**	**-**

Personnel

We note that the breakdown by employee category, subdivided by Country and professional grade, is as follows:

GRADES	ITALY	CZECH REPUBLIC	GERMANY	HUNGARY	POLAND	ROMANIA	SLOVAKIA	UNITED KINGDOM	SINGAPORE	NEW YORK	TOTAL
Executives	**21**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**
Full Time	21	-	1	-	-	-	-	-	-	-	22
Part Time	-	-	-	-	-	-	-	-	-	-	-
Middle managers	**375**	**5**	**159**	**9**	**6**	**4**	**1**	**14**	**-**	**-**	**573**
Full Time	372	5	154	9	5	4	1	14	-	-	564
Part Time	3	-	5	-	1	-	-	-	-	-	9
Remaining staff	**3,915**	**351**	**2,146**	**167**	**495**	**1,571**	**104**	**101**	**42**	**44**	**8,936**
Full Time	3,511	324	1,392	164	482	1,537	101	97	41	44	7,693
Part Time	404	27	754	3	13	34	3	4	1	-	1,243
Total	**4,311**	**356**	**2,306**	**176**	**501**	**1,575**	**105**	**115**	**42**	**44**	**9,531**

For Italy, it refers to CNL
For others: Executives= Top Manager (Band 7- 8) + Executives (5+6)
Middle Manager = FVP (4) + VP (3)
Remaining Staff = below Band 3

Fees of Directors and Auditors

The statement of fees paid during the year to Directors and Statutory Auditors is attached. It should be noted that these include the emoluments paid to some members of the Board of Directors.

It should also be noted that no loans or guarantees were granted to Directors and Statutory Auditors.

(Amounts given in €)

Directors' fees	239,080
Statutory auditors' fees	82,220
TOTAL	**321,300**

Execution & Discipline

We know that to do well we must be extremely disciplined in the execution of everything we do. In addition to our strategic plan, we have performance measures in place which provide all our teams with clear targets and regularly follow-up on progress to ensure we are always on track.

Reports and resolutions

Board of Statutory Auditors' Report

BOARD OF STATUTORY AUDITORS' REPORT
TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2016
PURSUANT TO ARTICLE 2492, PARAGRAPH 2, ITALIAN CIVIL CODE

To the Shareholders' Meeting of UniCredit Business Integrated Solutions S.C.p.A.

Dear Shareholders,
During the course of the year ending December 31, 2016, we performed on behalf of the Company (hereinafter UBIS) the supervisory activities required by law, the statutory audit having been entrusted to Deloitte&Touche S.p.A..
Our activity was inspired by the provisions of the law and the code of conduct issued of the Board of Statutory Auditors issued by the National Association of Chartered Accountants.

Compliance with the Law, the Bylaws and the Principles of proper management

- The Board supervised compliance with the Law, the Bylaws and the Principles of proper management.
- During 2016, the Board attended;
  - the ordinary shareholder's meeting held on April 12, 2016
  - the ordinary and extraordinary shareholders' meeting held on October 20, 2016;
  - all meetings of the Board of Directors (10) held in compliance with the bylaws and legislation governing its operation.
- The Board obtained from the Board of Directors information regarding the general operating performance and its outlook, as well as the most significant transactions carried out by the Company and its subsidiaries.
- In this regard, we can reasonably affirm that, based on the information available, the operations of most economic, financial and equity significance deliberated: (i) comply with the law and the bylaws, are in line with the mutualistic purpose of the company; (ii) do not appear to be manifestly imprudent, risky in terms of potential conflicts of interest; (iii) do not appear likely to compromise the integrity of the corporate assets.
- The Board periodically obtained information on the activities carried out by the Company's Supervisory Board with regard to the organizational and procedural activities set forth by Italian Legislative Decree no. 231/2001 and examined the annual report prepared by the SB which provided a positive summary opinion.
  No reports were received by the Supervisory Board concerning conduct not compliant with the provisions of the Organizational Model adopted by the Company.
- During 2016, the Board of Statutory Auditors issued only one opinion pursuant to Article 2389 of the Italian Civil Code.

Adequacy of the organizational, administrative and accounting structure

- The Board acquired information and monitored, within the scope of its responsibilities, the organizational structure and functioning of the Company, which were found to be adequate for the size of the company and the business model in the various stages of development.
- The Board acquired information and monitored, within the scope of its responsibilities, on the adequacy and functioning of the administrative and accounting system and its reliability in correctly representing operations, by obtaining information from department heads, from the entity responsible for the statutory audit and examination of corporate documents and, in this regard, we have nothing to report.

Relations with the External Auditors

- The Board maintained constant contact with Deloitte&Touche S.p.A., entrusted with the statutory audit.
- In the course of regular meetings with the company aimed at the mutual exchange of information on the results of the controls and audits carried out in their respective areas of responsibility, no facts worthy of highlighting emerged; in particular, the work of auditing and certification of the Financial Statements at 31 December 2016 did not reveal any critical issues or anomalies that may justify disclosure requests or remarks in the letter to the Shareholders.
- The audit report dated March 20, 2017 provides the following opinion: "In our opinion, the financial statements provide a true and fair view of the financial position of UniCredit Business Integrated Solutions S.C.p.A. at December 31, 2016, of the operating performance and of the cash flows for the year ending on said date, in accordance with International Financial Reporting Standards adopted by the European Union".

Internal Control System – Compliance and Risk Management

- The Board assessed the adequacy and functioning of the internal control system and administrative and accounting system and its reliability in correctly representing operations.
- The Board constantly monitored the audits carried out by the "Regulatory Authority" and in particular the assessments conducted by the Bank of Italy and the Bundesbank.
- The Board attended the meetings of the Internal Control & Risk Committee during 2016 and analyzed the "Report on the status of the internal control system on Financial Reporting pursuant to Law 262/05", which concluded with the certification that the administrative and accounting procedures are adequate with respect to the business characteristics and effectively applied.

- The Board periodically met with the head of the Risk Management function. The report on the activities conducted by the Risk Management function has been presented in the report on activities in 2016, and on the basis of evidence relating to manifest risks, it should be noted that despite an increase of the ICT changes, there has not been a negative impact on the incidents, demonstrating an increased resilience of the system. Also with regard to the risks that are not manifest, it should be noted that the long-term scenario analyses remain at the values of the previous year, and the analysis of short-term predictive indicators denotes a diminishing potential risk.

  While remaining at marginal values and largely unrelated to the performance of the factors set out above, operating losses show an increase year-on-year due to a single non-recurring event.

  Starting from the assessment provided by the parent company, the control system for operational risks in UBIS was judged “fully adequate” by Group Internal Validation and “good” by Internal Audit. The activity of monitoring, validation, prompting and support for the closure of internal audits continued.
- The Board analyzed the report on the activities carried out by the Compliance function which certifies achievement of the objectives set in the 2016 activity plan and the absence of critical situations in non-compliance risk management.

Financial Statements

The Board examined the draft financial statements ended at 31 December 2016 drawn up by the administrative body, accompanied by the statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity, cash flow statement and explanatory notes, made available within the terms set forth in art. 2429 of the Italian Civil Code and approved in its final version at the board meeting of March 7, 2017. The draft budget shows a net profit of € 2,572,182 and shareholders’ equity amounting to € 332,921,446.

Since it is not responsible for the statutory audit of the financial statements, the Board monitored the general approach of the same, their overall compliance with the law as regards their preparation and structure and, in this regard, having acquired the documentation in support of the related accounting choices, we have no particular observations to report.

The Board underlines in particular that:
- the balance sheet and income statement are compliant with the IAS/IFRS standards and with the provisions of the Italian Civil Code;
- the explanatory notes to the financial statements include the valuation criteria that were used, which are compliant with the law;
- the explanatory notes indicate that the financial statements have been prepared in accordance with international accounting standards (IAS/IFRS), including the SIC and IFRIC interpretation documents as adopted by the European Union up to 12/31/2016; the explanatory notes and the management report have the content provided by law and are formulated with clarity and completeness;
- the directors’ report provides adequate information on the main organizational and functional risks and uncertainties;
- the directors have not made recourse of the derogation pursuant to Article 2423, paragraph 4 of the Italian Civil Code;

the financial statements, therefore, respond to the facts and information which have come to our knowledge during the execution of our duties and attendance of meetings of corporate offices.

Transactions with related parties

UBIS belongs to the UniCredit S.p.A. Group and is subject to management and coordination by UniCredit S.p.A.
Transactions with group companies and information on transactions with other related parties are clearly indicated in the financial statements, in particular in the notes to the financial statements and in the directors’ report on operations, pursuant to current legislation and regulations.
There were no atypical and/or unusual transactions.
Reports pursuant to Article 2408 of the Italian Civil Code
The Board received no reports pursuant to Article 2408 of the Italian Civil Code or petitions from third parties.

Concluding remarks

Dear Shareholders, Having received the Financial Statements for the year ending December 31, 2016 within the legal deadline, together with the Directors’ Report on Operations, having taken note of the results expressed in the Financial Statements, of the structure of the same which is compliant with legislation governing their preparation, of the presence of the mandatory content of the report on operations and having likewise received the Report of the Independent Auditors with an opinion without any findings or exceptions, the Board expresses its favorable opinion for approval of the financial statements and the proposed allocation of operating profit formulated by the Board of Directors.

Milan, March 24, 2017

For the Board of Statutory Auditors
UniCredit Business Integrated Solutions S.C.p.A.
The Chairman
Roberto Bianco

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND TO ART. 165 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 28, 1998

To the Shareholders of
UniCredit Business Integrated Solutions S.C.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of UniCredit Business Integrated Solutions S.C.p.A., which comprise the balance sheet as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of UniCredit Business Integrated Solutions S.C.p.A., with the financial statements of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2016. In our opinion the report on operations is consistent with the financial statements of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
March 20, 2017

This report has been translated into the English language solely for the convenience of international readers.

Notice convening the Shareholders' Meeting

Notice is hereby given that the of UniCredit Business Integrated Solutions S.C.p.A. Board of Directors in its meeting of 7 March 2017 convened the Ordinary Annual General Meeting of UniCredit Business Integrated Solutions S.C.p.A. Shareholders pursuant to art. 2366 of the Italian Civil Code. The convocation is for April 10, 2017 at the Registered Offices of the Company in Via Livio Cambi, 1 Milan with the following

AGENDA

- approval, pursuant to article 2364 of the Italian Civil Code, of the Financial Statements at 31.12.2016 and consequent resolutions;
- resolution on the number of members of the Board of Directors and the appointment of the directors and Chairman for the period 2017/2019;
- resolution on the fees to be paid to the Board of Directors.

Meeting Resolutions

Shareholders' Meeting resolutions

The ordinary Shareholders' Meeting of UniCredit Business Integrated Solutions S.C.p.A. held on April 10, 2017, passed resolution:

- to approve the financial statements at December 31, 2016 which show a profit for the year of €2,572,182. It also took note of the Board of Statutory Auditors' Report and of the Independent Auditors' Certification Report;
- to allocate the profit for the year of €2,572,182 as follows:
  - to the Legal Reserve: €128,609;
  - to the Extraordinary Reserve: €2,443,573;
- to appoint a Board of Directors composed of ten members, who will remain in office until approval of the financial statements for the year ended December 31, 2019, in the persons of:
  Sandra BETOCCHI, born in Magliano in Toscana (GR) on November 21, 1958
  Gianfranco BISAGNI, born in La Spezia (SP), on September 11, 1958
  Romeo COLLINA, born in Rome (RM) on June 7, 1953
  Ranieri DE MARCHIS, born in Livorno (LI) on January 8, 1961
  Pasquale DE MARTINO, born in Milan (MI) on June 12, 1954
  Francesco GIORDANO, born in Rome (RM) on October 13, 1966
  Massimo MILANTA born in Genoa (GE) on March 25, 1963
  Remo TARICANI, born in San Benedetto del Tronto (AP) on September 27, 1974
  Daniele TONELLA born in Bern (Switzerland) on September 9, 1971
  Carlo VIVALDI, born in Treviso (TV) on December 2, 1965
  and to confirm Mr Ranieri De MARCHIS as chairman of the Board of Directors;
- to grant the Board of Directors a total gross annual emolument of €200,000 (two hundred thousand), to be allocated according to the decisions to be subsequently made by the Board of Directors, and an additional benefit consisting in a D&O - Liability insurance Policy, with premium paid by UniCredit Business Integrated Solutions S.C.p.A.;
- to grant an attendance fee to each member of the Board of Directors of €260 (two hundred and sixty) for each meeting;
- to grant a gross annual emolument of €7,500 (seven thousand five hundred) to the director Chairman of the Internal Control and Risk Committee, if appointed;
- to grant a gross annual emolument of €5,000 (five thousand) to each director Member of the Internal Control and Risk Committee, if appointed.

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April 2017

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