One Bank
One UniCredit

2017

Annual Financial Report

UniCredit
Business Integrated Solutions

UniCredit
Business Integrated Solutions

One Bank, One UniCredit.

We are a simple, successful Pan European Commercial Bank, with a fully plugged-in CIB, delivering a unique Western, Central and Eastern European network to our extensive franchise of 25 million clients.
Our strategy is long-term. We are transforming the Group through decisive actions to lay the groundwork for the future, changing the way we work to anticipate our clients' medium-term evolution. Everything we do is designed to make UniCredit a true Pan European Winner.

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Introduction

Corporate Officers and External Auditors

Board of Directors

Ranieri de Marchis	Chairman
Francesco Giordano	Vice Chairman
Daniele Tonella	Chief Executive Officer
Sandra Betocchi Gianfranco Bisagni Matteo Collina Massimo Milanta Pasquale De Martino Carlo Vivaldi Remo Taricani	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
Deloitte & Touche S.p.A.	External Auditors

UniCredit Business Integrated Solutions S.C.p.A.
Registered Office: Via Livio Cambi, 1 - 20151 Milan
Share capital: €237,523,160.00, fully paid
A UniCredit Banking Group company
Banking Group register: cod. 2008.1
Milan Company Register, Tax ID, and VAT Reg. No. 12086630154

Letter from the Chief Executive Officer

> “Looking ahead to the challenges of next year, we will continue to work with our business partners to become the driver of the Group’s transformation.”
>
> **Daniele Tonella**
> Chief Executive Officer

Dear Shareholders,

UniCredit Business Integrated Solutions launched a transformation plan in 2017 for the roll-out of the “Transform Operating Model” program, one of the pillars of the Group’s “Transform 2019” Strategic Plan.

In July we restructured our operations to streamline the organization and improve our ability to satisfy the needs of our banks. The management team today is stronger and more diverse. Fully 90% of the Chief Executive Officer’s team has been changed and renewed, with focus squarely placed on the issues of diversity and customer satisfaction to promote a strong leadership model geared towards transformation. The new streamlined operating model reduces the number of management levels and simplifies the organization.

We have introduced new leadership models to build a more effective partnership with business and ensure a more fluid transformation process.

The introduction of Chief Information Officers (CIOs) is designed to sharpen the focus on

ICT strategy and ensure proper delivery of ICT services to clients, while bringing IT closer to business. The Head of the "Tech" office is responsible for overseeing IT service quality and ensuring business can rely on stable, up-to-date, and affordable ICT infrastructure.
The Chief Transformation Officer is charged with steering the transformation process at UBIS, while monitoring service levels and customer satisfaction at the same time.

Another cardinal point of the transformation process was the decision to segregate IT activities from Operations, in an effort to effectively steer responsibilities and improve service levels and back office efficiency for our banks.
To tighten synergies and enable greater cooperation between back-office units, we have integrated the Business Transformation Banking Services and Operations Italy UBIS divisions under the leadership of one manager.

In response to growing threat of worldwide cyber-attacks, our priority for 2018 will remain focused on strengthening awareness in the company of operational risks, to continue protecting our clients effectively.

In September 2017, an "Operational Risk Optimization" (ORO) campaign was launched for both the IT and Operations areas.
The aim of the campaign is to heighten awareness across the organization of the main risks faced and their causes, in an effort to mitigate those risks through their careful and constant monitoring within our boundary.

Becoming the driver of the Group's transformation will entail a major change in mentality and an overhaul of our skills.

In June 2017 we started up a structured management appraisal program, the first stage of which covered 160 people, based on our 5 Fundamentals and our capacity for transformation. The initiative enabled us to identify both areas for improvement and areas of excellence for all the people involved.

Our Mobile Banking, Internet Banking, and Public Website channels have been revamped to improve the digital experience of our clients, while our Core Banking system has been simplified to minimize the complexity of the IT systems.

We are working with the Group to support the roll-out of innovative digital payment solutions (ApplePay and Alipay in Italy) and the creation of "instant payment" services (Italy and Germany).

We are lending our IT, Real Estate, and Operations expertise in support of the Group's "Transform 2019" Strategic Plan, collaborating on the rationalization of retail branches in Western Europe and contributing to the design and construction of a new UniCredit International Network branch in Abu Dhabi.

We have set ourselves the objective of being more agile and automated by adopting *Agile* methodology for our work in the Group, in particular in the "End-to-End" Unit for Italy and CEE.

Looking ahead to the challenges of next year, we will continue to work with our business partners to become the driver of the Group's transformation and bring "Transform 2019" to successful completion. Backed by the efforts and professional standards of our people, all highly specialized in their expertise and from diverse backgrounds, in terms of both geographical area and experience, today we are perceived as an integral part of the Group, ready and willing to become "One Bank, One UniCredit".

Daniele Tonella
Chief Executive Officer

Company Profile

UniCredit Business Integrated Solutions, the global service provider of UniCredit Group, went live on January 1, 2012.

Building on the expertise acquired through the consolidation of the Group's Information & Communication Technology (ICT), Operations, Real Estate, Security, and Procurement business units and companies, UniCredit Business Integrated Solutions delivers swift and effective solutions to service requests from Group companies and the market.

In 2017 a transformation project was rolled out, targeting the company's operating model. The project entailed an overhaul of the organizational set up, aimed at achieving the following objectives:

- to improve accountability by organizing "factory units" by service nature;
- to simplify the organizational set up and boost operational efficiency;
- to sharpen the focus on the industrial transformation process through the creation of a new "Transformation Office".

Services are designed with a cross-border reach to leverage efficiencies and economies of scale, while maintaining a clear view of specific local needs.

Our focus on the client channels our professionalism and expertise, adding value to the growth process for our people.

Financial Highlights

Shareholders' equity
€ 357,036,129

Value of production
€ 2,491,964,227

Profit for the year
€ 8,469,057

8,608
EMPLOYEES

International Presence

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

Subsidiaries

UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH
UNI IT S.R.L.

Improve asset quality.

We addressed Italian legacy issues through the sale of a € 17 billion portfolio (FINO) and proactive bad loans management. A more disciplined risk management strategy and underwriting processes are driving significant improvements in all our asset quality metrics.

Report on Operations

Overview of the Year

Dear Shareholders,

In 2017 UniCredit Business Integrated Solutions introduced major changes at the management and organizational levels, aimed at overhauling the operational set up of the company to meet the needs of UniCredit Group's transformation plan.

Specifically, the internal organizational model was restructured as of July 1, 2017, with a view to streamlining units and processes and boosting operational efficiency.

As concerns our economic and financial performance for the year, in 2017 the company pushed ahead with its strategy of optimizing its cost bases, making a positive contribution to Group earnings.

A number of major contracts negotiated at the end of 2016 took effect in 2017. They included a new outsourcing agreement with the company VTS, which has enabled headway to be made with the new transformation and cost reduction plan for infrastructure components, and a new deal with SIA for the Cards business.

Costs under the direct control of the company were lower on the whole than both the previous year and the cost targets set at the start of the year, delivering direct benefits to our client banks in intercompany dealings.

Below are the most significant events that occurred in and shaped the year:

- at the end of the first quarter of 2017, implementation and testing stages of the Disaster Recovery Plan were brought to term.
  In April 2017, UniCredit Group adopted a series of processes and technologies designed to ensure the recovery of the systems, data, and infrastructure needed to continue delivering core business services in emergency situations and disasters;
- on May 31, 2017, license agreements with Microsoft and Oracle were renewed for the period 2017–2020, providing for an unlimited number of open-end user licenses and maintenance service (ordinary service and upgrades);
- in June 2017, price adjustments were negotiated under the agreement made with SIA S.p.A. in 2016 for the transfer of the Cards business to the company P4 Cards S.r.l. They included:
  - a price adjustment with respect to P4Cards in consideration of the change in balance between the appraisal date (09/30/2016) and the due date (12/31/2016), entailing collection by UBIS of approx. €7.8 million;
  - a price adjustment with respect to SIA for the non-fulfillment of contractual parameters (e.g., investment levels, net financial position, etc.), entailing payment by UBIS of approx. €8 million. The amount qualified as a price adjustment and was entirely charged back to UniCredit S.p.A.;
- in December 2017, negotiations were started up for an overhaul of the contractual arrangements in place with the company ES SSC S.p.A.;
- over the course of 2017, a review was conducted on internally-developed software, which identified assets for disposal totaling a net carrying amount of €19.4 million, entailing the write-off of software licenses and programs no longer in use; the amount was booked in accounts over the last four months of the year;
- the useful life was reviewed for a clearly defined set of licenses installed on VTS infrastructure to align it to the contractual term of the VTS agreement.

The financial statements as at December 31, 2017, submitted for your examination and your approval, posted a profit of €8,469,057 against a value of production of €2,491,964,227.

Further information is provided in the Report on Operations and in the Notes to accounts.

Business Model and Organizational Developments

In 2017 a transformation project was rolled out, targeting the operating model of UniCredit Business Integrated Solutions.
The project entailed an overhaul of the Company's organizational set up, aimed at achieving the following objectives:

- to improve accountability by organizing "factory units" by service nature and, in particular, by separating ICT services from Operations services;
- to simplify the organizational set up and boost operational efficiency by:
  - centralizing and consolidating support and governance functions;
  - eliminating "matrix" reporting lines and creating direct reporting lines to the Chief Executive Officer;
  - reducing the number of organizational levels to a maximum of four (excluding the Chief Executive Officer) and replacing organizational ranks with the concept of standard units, as per Parent Company guidelines;
- to sharpen the focus on the industrial transformation process and its roll-out through the creation of a "Transformation Office", reporting directly to the Chief Executive Officer.

Accordingly, the main changes introduced and key features of the new organizational set up involved:

- the creation of a Chief Information Office (CIO) for ICT services and relative roles covering the different clients and geographical areas of the business, each charged with ensuring, in accordance with Parent Company guidelines, the development of the ICT strategy and proper delivery of ICT services to their respective clients/geographical areas. The specific roles created include:
  - CIO Governance Functions, responsible for providing ICT services to competence lines and Group governance units and tasked with managing the data life cycle and relative analytics and software solutions ("Big Data", "DWH", etc.);
  - CIO CIB and Germany, responsible for providing ICT services to the Group's CIB Division and tasked specifically as CIO for the Division and clients located in Germany;
  - CIO CEE, responsible for providing ICT services to CEE countries and tasked specifically as CIO for the Group's CEE Division and clients located in those countries;
  - CIO Commercial Banking and Italy, responsible for providing ICT services for Commercial Banking operations (Omni Channels, Credits, Core Banking, Securities, Cards) and tasked specifically as CIO for clients located in Italy;
- the creation of an Operations unit for back-office services, charged with ensuring the proper and efficient delivery of back/middle-office services for the client portfolio served and the efficient planning and upgrading of those services;
- the tasking of the first reporting line to the Chief Executive Officer with the supervision and coordination of the operations of foreign branches and subsidiaries;
- the creation of a Transformation Office, responsible for managing, implementing, and monitoring the transformation of the entire organization and assisting the Chief Executive Officer in shaping company culture and monitoring service levels and customer satisfaction;
- the creation of a Tech office, primarily responsible for ensuring, including through the coordination of service providers, that centralized and individual ICT infrastructure is technologically advanced and affordable, while guaranteeing service quality and business continuity for clients;
- the tasking of Security with responsibility for business continuity and disaster recovery;
- the tasking of Real Estate, now renamed Real Estate & Logistics, with responsibility for UBIS logistics in Italy and all foreign branches (previously handled by Organization);
- the tasking of Procurement with responsibility for cost management (previously handled by Organization);
- the elimination, in line with Parent Company guidelines, of the Organization function, with its tasks redistributed to Procurement, to Real Estate & Logistics, as reported above, to Human Capital, as concerns organizational development activities, and to the Transformation Office.

These changes underpin a new organizational set-up that is much more agile and aligned with business needs, helping to enable and fast-track the roll-out of UniCredit's Transform 2019 plan.

Development Trends

Human Resources

The year 2017 marked a turning point for UBIS and was shaped by efforts to manage the change in strategy. In particular, those efforts focused on the design and implementation of a new organizational set-up for the Company, involving:

- a major simplification of the organizational model and the roles that interface with business, together with a significant downsizing of management (approx. 27% of executive positions were cut);
- the creation of a new Leadership Team, to meet the expectations of transformation;
- the creation of strategic organizational roles of key importance for improving UBIS's accountability towards clients (in particular CIOs and an enhanced role for Branch Managers).

As such, much of our work in 2017 focused on maximizing the best allocation of people and skills and managing the transfer of people who lost their role under the reorganization initiative. By contrast, the focus in 2016 was on in-sourcing activities tasked to external service providers, a project brought to conclusion in 2017, although the in-sourcing of key roles has remained a key driver in recruitment for the IT area.

In support of the transformation project, a structured mapping exercise was carried out to map the leadership capabilities of unit managers and potential candidates. The aim of the exercise was to support their development in an increasingly challenging context and conduct an extremely selective analysis of their training needs, steered by the need and opportunity to outline a training plan tied to the strategic priorities of the Transform 2019 plan and the transformation of UBIS.

While streamlining activities will be on-going, geographical diversification will continue to represent a key lever for organizational efficiency and cost management, as well as for the development of a pipeline of skills to be invested in the organization.

Inclusion and diversity continue to be two topics of particular importance for HR management, promoted through specific initiatives and through our participation in Parent Company programs.

Finally, human capital policies in 2017 focused on the major changeover in leadership, driven by the need to identify managers able to respond and actively steer strategic challenges, as well as and act as enablers of our transformation.
Building on these developments, the outlook for 2018 will see a heightened focus on people, on conciliation policies, on the workplace, on the development of the skills of the future.

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

The workforce employed by UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2017 totaled 8,608 people, of which 3,652 in Italy, 2,101 in Germany, 1,518 in Romania, 176 in Hungary, 513 in Poland, 352 in the Czech Republic, 106 in Slovakia, 105 in the United Kingdom, 43 in Singapore, and 42 in New York.

The change in the headcount of UniCredit Business Integrated Solutions S.C.p.A. compared to the previous year was negative (-923 people), as shown in the breakdown below.

Employees as at 12.31.2016	9,531
New hires	521
Transfers to/from other Group	-70
Terminations	-1,374
Employees as at 12.31.2017	8,608

Negative growth in the workforce was concentrated mostly in our main two Mature Countries – Italy (-659) and Germany (-205) – as a result of business restructuring plans and the disposal of the Cards business unit in January 2017. Of lesser impact was the net decline in Romania (-57), the United Kingdom (-10), Czech Republic (-4), and New York (-2). Three countries instead posted positive growth in their headcounts: Poland (+12), Slovakia, (+1), and Singapore (+1).

Women make up 47% of the total workforce. At year-end, 1,191 people were employed on part-time contracts.

UniCredit Business Integrated Solutions GmbH

The headcount of the legal entity UniCredit Business Integrated Solutions GmbH as at December 31, 2017 totaled 1,173 employees, of which 407 in Austria, 307 in Poland, and 459 in Romania.

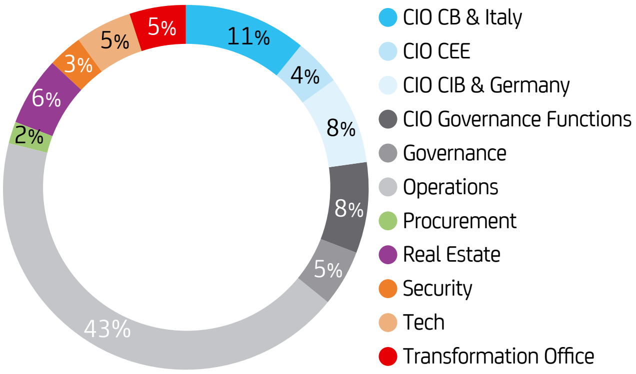
The change in the headcount of UniCredit Business Integrated Solutions Austria GmbH compared to the previous year is positive (54 people), as shown in the breakdown below.

Employees as at 12.31.2016	1,119
New hires	295
Transfers to/from other Group	2
Terminations	-243
Employees as at 12.31.2017	1,173

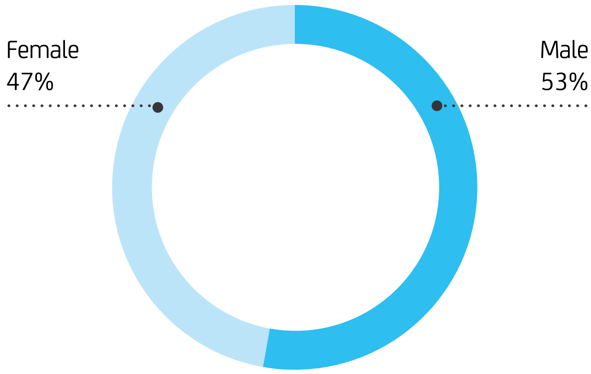
Positive growth in the headcounts in Romania (+69) and Poland (+55) was partially offset by negative growth in Austria (-70) and the impact of the disposal of the Cards business unit in January 2017.

Women make up 66% of the total workforce. At year-end, 176 people were employed on part-time contracts.

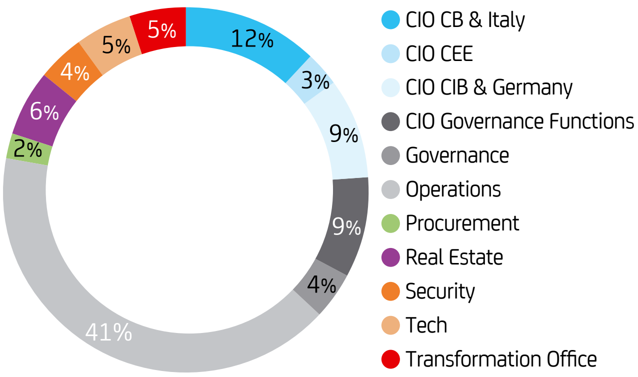
Employees by business area - UniCredit Business Integrated Solutions S.C.p.A. and GmbH



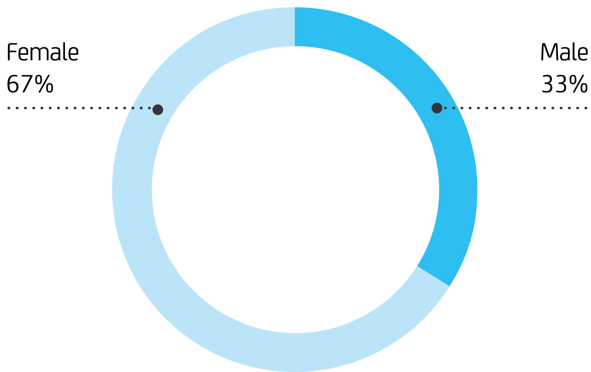
Employees by gender - UniCredit Business Integrated Solutions S.C.p.A.



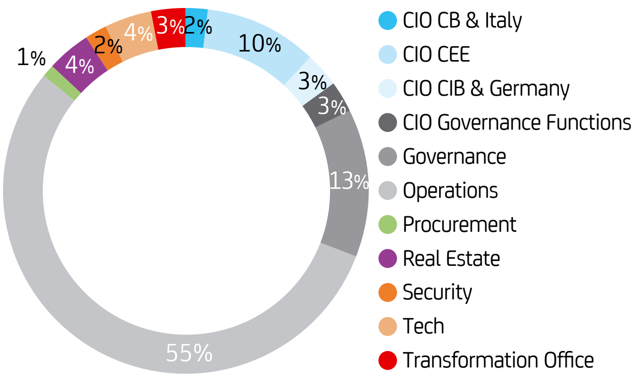
Employees by business area - UniCredit Business Integrated Solutions S.C.p.A.



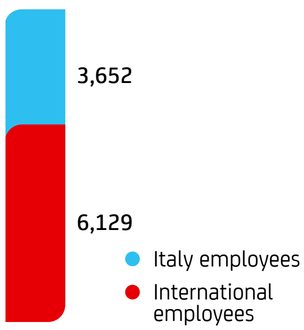
Employees by gender - UniCredit Business Integrated Solutions GmbH



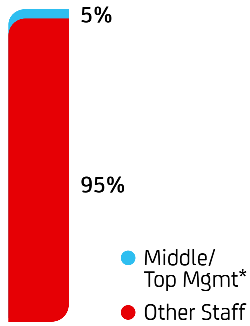
Employees by business area - UniCredit Business Integrated Solutions GmbH



Employees by geographical area (Italy/international) - UniCredit Business Integrated Solutions S.C.p.A. and GmbH



Employees by category - S.C.p.A. and GmbH



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

Development Trends (Continued)

Human Resources (Continued)

Training

The training offer available to employees of UniCredit Business Integrated Solutions was optimized in 2017. Over the year, the Company continued to invest in alternative training opportunities, leveraging the potential offered by digital channels.

While the total number of participants in development initiatives rose (96,153, +7% versus 2016), the total number of hours delivered fell (222,866, -34% versus 2016). This was driven specifically by three factors:

- the substantial conclusion of the recruitment program in 2016, as planned, which reduced the need for new hire training. In 2016, 7,129 days of on-the-job training was provided to approximately 300 people, for a total of 57,032 hours delivered (17% of the total), which was not repeated in 2017;
- the shift towards on-line training, especially as regards behavioral skills and language training, which involves fewer hours of training than classroom programs but enabled a greater number of people to participate;
- the lower training budget available (29% versus 2016).

Nevertheless, training continued to focus on:

- key professional roles such as ICT Project Managers. Through the “PM Evolution” program, 383 project managers were trained, delivering a total of 8,896 hours;
- new professional figures such as SCRUM Masters. In 2017, the first 40 UniCredit Business Integrated Solutions people were trained and certified in the SCRUM methodology;
- Lean Six Sigma methodology, involving 110 participants for a total of 2,064 hours of training;
- traineeships, which involve three-year training plans starting from recruitment. In 2017, approximately 2,751 hours of training were provided to trainees.

On-the-job training, which builds on the skills and expertise within the Company, amounted to a total of 7,274 hours.

New training products were introduced in the year, delivered mainly through digital channels. In this regard:

- investments continued to be made in new on-line training platforms, with the identification of new providers in addition to those used in 2016, delivering a total of 1,109 hours of training (Safari books online and Lynda);
- dedicated content and innovative methods continued to be developed, in partnership with major external providers. This included a new training course for Security, based on gamification principles (available to all Italy employees of UniCredit Business Integrated Solutions, to be extended in 2018 to other colleagues).

In 2017, a major investment was made in language training for new hires, with 8,362 hours of training delivered to 48 participants.

In keeping with the strategic priorities of the Company, awareness initiatives were organized, as well as a specialist course on the automation of Robotics processes, with 1,782 hours delivered to a total of 285 participants. Investments also continued to be made in talent development, involving both personal plans and mentoring programs with senior managers from other business lines.

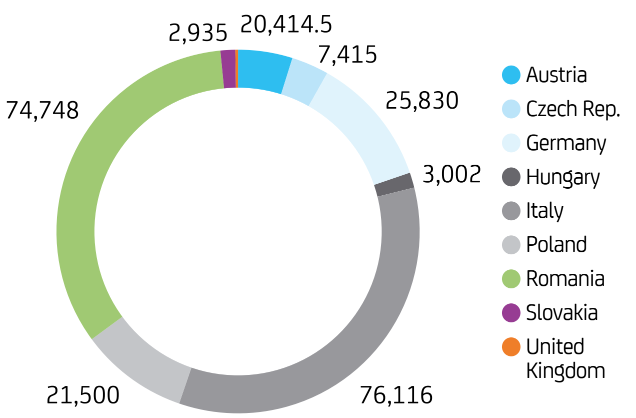
Finally, the IT Masters program was run for a second time, optimized thanks to the feedback gathered from the inaugural program. Designed in partnership with leading academic institutions, the objective of the program is to support the integration of our IT and Operations populations in order to encourage the sharing of different skills and knowledge, as well as to offer the opportunity to acquire new notions and market prospectives.

Training in 2017 (including mandatory training)

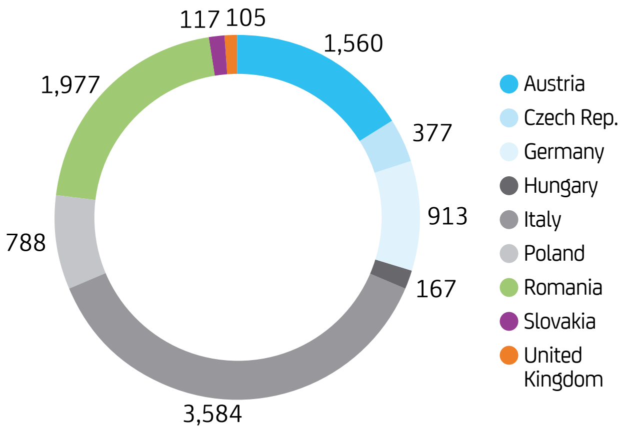
Number of participants in training initiatives*	96,153.00
Total number of people trained	9,588.00
Number of training hours delivered in 2017 in UBIS	222,866.08
UniCredit Business Integrated Solutions headcount at 12/31/2017	9,782.00
Average training hours per capita (total hours/HC at 12/31)	22.78

* including 48,662 participants in mandatory training courses.

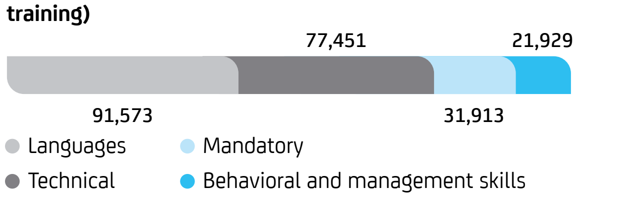
Training hours delivered by country (including mandatory training)



Number of people trained by country (including mandatory training)



Training hours delivered by type of training (including mandatory training)



Risk Management

UniCredit Business Integrated Solutions adopts a risk control and management model that complies with both statutory and Parent Company regulations. The model enables the identification of responsibilities, methods, processes, and effective tools in all phases of the economic and production cycles of the Company in Italy and abroad.

Risk control is tasked to the Risk Management competence line. Its role at the global level, for all Italy and international operations, is to preserve asset values and ensure, for the Company and its clients, that risks are controlled through the identification, management, and monitoring of the actual and potential operational risks and reputational risks associated with IT, Operations, Real Estate, and Procurement activities.

The Company has also set up a Risk Committee, coordinated by the Risk Management function.

As concerns financial and liquidity risks, the Company sources its funding through Group banks, with available liquidity held as demand deposits in current accounts with those banks, in accordance with Group policy.

Credit risk and counterparty risk is controlled and monitored through streamlined, though effective processes. To ensure the on-going and independent control of the risks to which the Company is exposed, the Company's Risk Management function has adopted a regulatory framework that sets out the rules, processes, and responsibilities of each of the different Company units, with the objective of preventing, measuring, and controlling risks.

The Company has adopted a robust risk management model for the operational risks connected with its business. Specifically as concerns IT operations, risks are identified through a methodology based on an analysis of the many different events that could potentially generate breaches of the integrity, confidentiality, and system availability parameters agreed with clients.

The application of the methodology requires the setting and implementation of numerous key risk indicators (KRIs), which measure the effectiveness of the controls in place and monitor risk trends, mitigation measures, and developments in projects designed and implemented to minimize risks.

In 2017, the boundary monitored was extended and the number of KRIs increased to a total of around 400 indicators at year-end. In addition, 20 scenario analysis were conducted to quantify the greatest potential risks and automatic processes were consolidated for the qualitative appraisal of the risk levels connected with the development and implementation of projects.

For major projects, the outcomes of those appraisals then triggered a specific risk assessment (RA), which analyzed the risks in detail and outlined the mitigation measures identified. The final RA outcomes wee then submitted for approval by the stakeholders of the project.

A structured reporting system developed by the Risk Management function delivers regular reports on the exposure to operational risks and the measures adopted to mitigate them for senior management, internal control bodies, the Parent Company, and internal clients.

In accordance with Group guidelines and the strategies set each year to raise the effectiveness of operational risk controls and minimize related losses, the Company has set up a permanent workgroup, involving the functions that play a role in monitoring activities (Risk Management, Transformation Office, and Audit). The permanent workgroup meets on a periodic basis to identify the main areas of risk and set out specific remediation or mitigation measures.

The Company adopts an advanced measurement approach (AMA) to measure regulatory capital requirements at Group level for operational risks. The operational risk control and measurement system is assessed on an annual basis for compliance with regulatory requirements and Group standards through an internal validation process which is then audited by Audit.

The operational risk management system adopted by UniCredit Business Integrated Solutions was found once again in 2017 to be "fully compliant" with regulatory requirements. Similarly, audits conducted by the Internal Audit function confirmed that the system conforms to the Group model.

As in previous years, direct operating losses in 2017 were found to be negligible. Constant efforts are focused on spreading risk awareness throughout the Company, aimed at promoting consistent behavior in all people at all levels of the organization.

Alongside web-based training (WBT) courses on operational risk, developed on the Company training platform and included in the "on-boarding" training program provided to all new hires, Risk Management has released new content and tools in the risk management section of the Company's Intranet portal, designed to improve the propensity of our people to analyze company risks (both current and future) and to encourage greater understanding, appreciation, and integration of risk management activities in day-to-day work.

Development Trends (Continued)

Transformation Office

Set up in July 2017 to guide UBIS through its transformation process, the Transformation Office is responsible for monitoring service levels and customer satisfaction. The office also coordinates specific, large-scale integration projects and cross-functional initiatives, providing advice on IT processes and solutions for UBIS functional areas.

One of the main priorities for 2017 was to support the Group in achieving the set objectives of the Multi-Year Plan. Working together with the Planning, Finance & Administration competence line, the Transformation Office was responsible for information gathering and the assessment and monitoring of initiatives in support of the objectives of the Multi-Year Plan, including the identification and management of the relative risks and limitations involved and regular reporting to top management at UBIS and the Parent Company.

ICT Pipeline management is responsible for around 200 initiatives, targeted mainly at the optimization of infrastructure and applications, system restructuring plans, and decommissioning, which are planned to end by December 2019.

The proper management of risk is fundamental for the Group as a whole. Operational risk, however, is particularly important for UBIS, as it is the global service factory for our banks.

In September 2017, an "Operational Risk Optimization" (ORO) project was launched for both the IT and Operations areas, building on past experience acquired in the Group. The main objectives of ORO are to raise awareness among managers of key risks and their causes; mitigate risks through their careful and constant monitoring; outline and implement suitable action plans; outline a regular process for managing operational risk (first-line control in management); and build a strong risk culture across the company.

Following the reorganization of UBIS, an internal service quality (ISQ) survey was conducted in December 2017, which asked all the main stakeholders to assess their satisfaction with and perception of the changes introduced in the IT and Operations areas.

Combining the responses provided by the CIB Division, Commercial Banking, and Governance areas in Italy, Germany, Austria, and CEE countries, the survey outcomes will form the basis for the identification and implementation of improvement plans. The action plans will help strengthen the "One Bank, One UniCredit" spirit across all of the Group.

As concerns the auditing of internal ICT processes and practices, new targets for the ICT demand management process (management of ICT service requests) are now being set and will be implemented in 2018, with a view to completing the process by December 2019.

The new process will shorten response times and improve the quality of project proposals, providing value for our commercial partners. The activities managed by ICT Architectures play a key role within the Transformation Office, as part of its task of outlining and developing a long-term vision for ICT architecture. In July 2017, with the reorganization of UBIS, a new federated architecture was created. With the roll out of the new model as a job family, new synergies are being identified and joint initiatives are now underway, such as DevOps.

In its role as IT solution provider for UBIS, the Transformation Office has built a new "Robotics Process Automation" (RPA) platform in collaboration with Operations, to underpin the creation of a center of excellence for robotics. The first projects have been launched, with the data now under analysis to set the objectives of the operating model and the collaboration boundaries with users of the platform.

The transformation of UBIS is built on the key pillar of becoming a transparent and reliable partner, with particular focus placed on cost transparency for our banks. Working with the Planning, Finance & Administration competence line, and in its role as IT solution provider for UBIS, the Transformation Office has now selected the partner with which it will develop a Cost Accounting Model. The new solution will be rolled out in 2018.

Work on redesigning key internal processes and practices will continue throughout 2018. We will be supporting the adoption of the smart methodology developed to help transform the company into a more functional IT factory and promote the development of measures to deliver an increasingly more flexible and simpler IT offering. Moreover, our close cooperation with Human Capital will make UBIS "the ideal place to attract talent."

Client Services

Chief Information Office

CIO CEE

CIO CEE guarantees provision of end-to-end solutions and ICT platforms for Central and Eastern European countries, working to support business and management processes to ensure their conformity, functionality, integration, and reliability. All service requests from CEE countries are channeled to the CIO CEE business line, which directly provides its clients with ICT and Operations services for the Commercial Banking area, engaging with the various CIOs, the TECH office, and competence lines for additional services.

CIO CEE is tasked with:
- designing, developing, implementing, and maintaining application solutions;
- planning and coordinating project activities as a whole, with direct responsibility for costs, delivery times, finished product quality, and status reporting to top management;
- formulating technical and economic feasibility studies in relation to user needs;
- checking and controlling investments;
- creating business opportunities for the CEE banks served.

CIO CEE actively collaborates with the IT departments of our CEE banks and with the CEE Division from the strategy setting stage onwards, with a view to:
- ensuring that service costs and delivery capacity meet the set deadlines and quality standards;
- continuing the roll-out of the major initiatives launched since 2014 under the Multi-Year Plan for the CEE Division (CEE2020 and CEE2020 Plus);
- implementing new IT projects tied to Group commitments and CEE Division projects connected with the Transform 2019 program.

Key initiatives under the Transform 2019 program conducted by the CIO CEE area have included:
- Web Cluster: creation of new cross-architecture Mobile Banking, Internet Banking, and Public Web Site channels, designed to deliver a unique user experience and fully digital operating processes and sales processes;
- UniCash: creation of a new branch cash desk application based on next-generation technology and with advanced features, and the decommissioning of the previous, now obsolete, application;
- Core02 Performance Improvements: performance improvements to the Core Banking system for night closing operations and the introduction of some 24/7 features;
- PB Advisory: conduct of a feasibility study designed to assess solutions and the costs of implementing new Private Banking services (e.g., Robo-Advisory) planned for 2018.

Update on the "Mach" Project

The mass migration from EuroSig to Ezy-Core went live for UniCredit Bank Czech Republic and Slovakia on 9 October 2017, after its approval by the bank's board.

Considering the high level of complexity involved on both the IT and Business sides, the operation as a whole was a success.
The migration process, along with the switch-off of the source system and the switch-on of the new applications, was completed without any particular problems and in line with the run-book for the roll-out.

Post go-live support continued for one month and the asset is now under standard support management.

As agreed in advance with the bank, a new project was created to close a few pending issues that had postponed completion to the post go-live phase, but nevertheless by the end of 2017.

Today the Ezy-Core platform is stable.

CIO CORPORATE & INVESTMENT BANKING & Germany

CIO CIB & Germany is a core service function that ensures, for its area of competence, the global provision of ICT services for "Markets and F&A", "GTB", and "CIB Digital". As the UBIS CIO for the CIB Division and clients located in Germany, it is responsible for ICT services offered (applications, infrastructure, and ICT security), from the setting of ICT evolution strategy to the management of services run. It is the single entry point for dealings with clients in its area of competence, directly or with the support of other ICT factories.
In addition, CIO CIB & Germany plays a coordinating and steering role for UBIS's foreign branches in Germany, the United Kingdom, New York, and Singapore in relation to governance and business strategy. It acts as an interface between the branches and head office, addressing local issues and rolling out locally the strategy, processes, and guidelines set by head office.

The unit is divided into three core service function operating structures: Markets and F&A ICT, GTB ICT, and, as of December 1, 2017, CIB ICT Digital.

The Markets and F&A ICT team is responsible for the design, definition, and management of trading and treasury application platforms for interest rates, loans, forex, stocks, commodities, and treasury management, as well as for components for market access and the supply of static and real-time market data. It provides both global services and country-specific services to support the sale of

Client Services (Continued)

Chief Information Office (Continued)

forex, money market, derivative, stock, and structured loan products by the Corporate Investment Banking Division. It also develops software for international client transaction settlements for the CIB Area, market intelligence solutions, analytic CRM, P&L calculation, back and middle-office applications, and accounting applications for the Markets and F&A area.

The GTB ICT team instead provides applications for cash management services, enabling payments to be made by offering both local solutions (domestic payments) and global solutions (SEPA and financial institution transactions) based primarily on custom-designed platforms. It also furnishes Corporate Banking services for corporate bank customers and central and local government. Solutions are also provided to enable clients to meet the supply chain financing needs of small and medium enterprises (SMEs), in particular as concerns documentary credits, commodity financing, and billing management.

Finally, the CIB ICT Digital team is responsible for digital innovation in the CIB area and for supporting the technological evolution and industrialization of other CIB ICT functions, including the research and development of next-generation products and application platforms.

CIO CIB & Germany is present in eight countries (Germany, Italy, Poland, Romania, United Kingdom, New York, Singapore, and Austria) and has a cross-company management structure (arching UniCredit Business Integrated Solutions S.C.p.A and UniCredit Business Integrated Solutions Austria GmbH).

In 2017, CIO CIB & Germany lent its support to a number of strategic CIB programs. Those programs included the development of new technological platforms designed to raise market share in specific business areas and offer solutions in line with those of major competitors (e.g., Digital Advisory, Market Making, Blink, Corporate Channels, and Instant Payments), as well as projects to expand the geographical reach of Business operations through the opening of IT services in new countries (such as Abu Dhabi).

In 2017 the Market and F&A ICT team played a key supporting role in the evolution of strategic business platforms such as Markets Italy, Dynamic Best Execution for our German bank, and Global Middle Office, while also starting up a number of innovative programs, including a Machine Learning project for Market Making and a Digital Advisory project to support the sale of unlisted products. In the field of ICT service industrialization, the team initiated and completed the first step towards the consolidation of the Murex platforms (with Murex Credit consolidated with the application Murex Rates) and harmonized the brokerage platform in Austria by implementing the global Ullink solution already in use in Italy and Germany, thereby enabling the harmonization of processes across those countries. In terms of compliance, the operating structure completed all the activities needed to ensure compliance with MiFID II regulations in the Markets area.

In 2017, the GTB ICT team supported technological evolution in a number of areas, including the Instant Payments and Pay-FX projects for payments, the innovative Trade Finance Front End program (now renamed Trade Finance Gate) to support supply chain finance, and the creation of the Global Corporate Portal channel. In relation to the geographical expansion of ICT services, the team provided its support for the start up of the new UniCredit branch in Abu Dhabi, while compliance work focused on the completion of all the necessary activities to ensure compliance with SEPA and ALBA rules.

CIO Commercial Banking & Italy

The CIO Commercial Banking & Italy Area is tasked, for its area of competence, with the global provision of ICT services relating to “Omni Channels”, “Credits”, “Core Banking”, “Cards”, “Securities”, “Investment Products”, and “Digital Core Banking Transformation”.

As the UBIS CIO for Italian clients, it is responsible for all ICT services offered, the setting of ICT evolution strategy, and the management of services run, acting as the single entry point for dealings with clients.

The CIO Commercial Banking & Italy Area is therefore responsible for designing application architectures that comply and are consistent with UBIS and Group guidelines and for providing, directly and indirectly, ICT services and solutions for:
- Internet and Mobile Banking, Operational CRM, Business Intelligence, Branch applications, dematerialization, and knowledge management;
- customer loans, collateral, financing, securitization, and credit supply, monitoring, and recovery;
- customer current accounts, term deposits and savings accounts, record management, legal and tax investigations, public sector treasury management (in Italy), and online ticketing;
- the issue of credit/debit cards, acquiring POS, and ATMs;
- securities trading (order management, clearing and settlement, and support services), the management of all events related to the securities life cycle (depositary services and custodianship), and their taxation;
- portfolio advisory and the placement of investment products such as funds, segregated accounts, and bancassurance products;
- the implementation of the back-end digital transformation of the Core Banking system (EuroSig) through the creation of a new, highly automated system model that makes only limited use of batch management and is highly scalable in performance and cost terms.

The CIO Commercial Banking & Italy Area also coordinates all aspects of governance and business strategy for UBIS Austria and acts as the single entry point for UBIS S.C.p.A. in dealings with Austrian clients which have service arrangements with UBIS GmbH, with the support of the ICT factories of the Austrian legal entity.

In 2017, the CIO Commercial Banking & Italy Area was involved in the E2E – Transform 2019 program through the redesign of the operating model of 25 products and services for clients, providing its support for the roll-out of the Group' industrial plan. A smart approach was taken to the program, with the first eight "scrum" rooms (where Business and IT work together) activated and managed in 2017. The scrum rooms focused on advances on invoices, current accounts, credit cards, residential mortgages, advisory, asset management, debit cards, and business loans.

The year also saw the release of a new Internet Banking website in Austria, designed to offer customers an outstanding level of customer experience and new services such as a "personal finance manager". The new platform has fully revamped the channel, building on the cooperation of teams in Italy, Germany, and Austria.

The MiFID 2 project was completed, ensuring the Group's compliance with Directive 2004/39/EC and ESMA guidelines, which require greater transparency and protection for customers who purchase investment products.

As part of the Digital Credit Revolution program for the complete multichannel overhaul of the distribution model for credit products targeted at retail customers and SMEs, a new component was created for the Small Business customer segment, which is fully plugged-in to back-end processes and credit decision-making engines.

The Alipay and Applepay projects saw the introduction of major new features for payment services.

In particular, UniCredit became the first Italian bank to enable Chinese customers with an Alipay Wallet to make payments with UniCredit-accredited merchants.
Finally, the Digital Core Banking Transformation (DGSIG) program was started up, designed to minimize mainframe costs, which have been driven up by higher consumption connected with digital interaction channels for customers.

The main challenges for the CIO Area in 2018 will concern the launch of the E2E program in Germany and its continuation in Italy; the completion of the DGISIG program; and the implementation of a number of fundamental projects for the continuing digital transformation of the Group. The latter include a new Small Business Internet Banking website in Italy, the launch of a "mobile-only" bank for the Private customer segment, the development of a new mobile app for Italy and Austria and the "PSD2" program, and Robo-Advisory solutions (both self-service and banker-mediated) for Germany and Italy.

CIO Governance Functions

As part of the general reorganization of UBIS, effective as of July 1, CIO Governance Functions took the place of the GES business line, with an area of competence extended to include components previously covered by the Data&Analytics business line. Also in this case, the key objectives behind the organizational change were to ensure the full accountability of the CIO towards our business partners for services provided and its proximity to the IT and Business teams, to step up cooperation and facilitate delivery of goals tied to Transform 2019.

CIO Governance Functions is specifically responsible for ICT services connected with the Planning & Finance, Risk Management, Human Capital, Compliance, Audit, Group Administrative, and Analytics Office competence lines, at both the global and local levels.

For the CFO Area, Governance Function guarantees management of the IT applications required for accounting, financial reporting, mandatory reporting, planning and control, credit treasury, and Liquidity/Asset Liability Management, while ensuring the production and sending of mandatory data flows to Supervisory Authorities.

CRO services instead guarantee IT application solutions for risk management processes.

The Business Line provides IT solutions to the HR competence line, excluding the HR Transformation program area, which is under the direct responsibility of banks. Finally, the business line serves the Compliance competence line with the direct provision of IT services (such as solutions for Anti-Money Laundering platforms) and is responsible for monitoring service requests made to other CIO areas.

Under the reorganization of UBIS, Governance Functions took over the area formerly assigned to the Data & Analytics business line. As such, it ensures the global delivery of ICT services for data life cycle management and relative analytics and for "DWH", "Specialized Data Platforms", and "Big Data" application solutions, providing new means of processing and managing information for Group clients and other UBIS functions. Furthermore, it works to support the introduction of "Data Governance" strategies and their industrial management, in accordance with Parent Company guidelines.

In 2017 CIO Governance Functions managed a significant project portfolio, which – including the component taken on from Data & Analytics – totaled around 400 projects for a total value of approximately €175 million – comparable to the combined 2016 portfolios of the GES and Data & Analytics business lines.

Client Services (Continued)

Chief Information Office (Continued)

The most important projects for the year included:

- In the Credit Risk area, activities continued on AnaCredit, a project launched by the European Central Bank to create a centralized and granular dataset on credit and credit risk. The dataset will deliver the additional information needed to strengthen the ECB's supervisory role, risk policy management, and financial stability tasks. Started up in 2016, the program is scheduled to end in September 2018. Two important programs were started up for the new regulatory requirements connected with the EBA Guidelines to be implemented by January 2021: the new definition of default (DoD), requiring adjustments to the calculation of the "past due" criterion (90 days past due) to comply with EU regulations by June 2018; and a Model Roadmap to enable a review of all Group-wide rating models. Finally, the first releases were made under the Non-Performing Exposures program (Asset Strategy and Stock Take) and analysis phases were initiated for the implementation of an NPE Repository (for both regulatory and management reporting purposes); the program will continue throughout 2018.

- In the Accounting area, the Business Line made major inroads into the long-term EBA and IFRS 9 programs. IFRS 9, in particular, entered a crucial stage during the year, with developments to the Classification & Measurement (C&M) and Loan Loss Provision (LLP) streams completed. A parallel run is now being conducted on December 31, 2017 data for the first-time adoption of the new accounting standards, which will continue through the first three months of 2018 in order to prepare the first quarter financial statements fully in accordance with IFRS 9.

As part of the constant focus placed on liquidity, releases for production were completed during the year of the Finance MIS project – a unified system to support data collection and processing for liquidity and interest rate risk analyses by CRO/CFO units – and of the Group ALM project, involving the creation of a Group-wide system that enables the centralized processing of local datasets for the measurement and management of Interest Rate Risk in the Banking Book (IRRBB) by providing a tool to support standard processes and simulations designed to estimate the impact of alternative scenarios, including EBA stress tests. In addition, Group-level Liquidity Monitoring Tool reports were produced for the monitoring and reporting to the ECB of specific liquidity metrics (such as LCR).

In the Financial Risk area, the focus for CIO Governance Functions has been on the implementations entailed under the new Basel Committee standards for the Fundamental Review of the Trading Book (FRTB), which require a sweeping review of market risk methods and reporting. The minimum capital requirements for our banks were satisfied in 2016 through the development of a new standardized approach (SBA). The program will continue over 2017–2020 with the implementation of an internal model approach (IMA), designed to reduce the risk capital requirement. In 2017, work focused on the development of an IMA for the legal entity UCB AG.

In the Compliance area, extensions were produced for CEE to the Correspondent Bank platform and to the Global Mar platform to fulfill new market abuse requirements, with new categories of products managed added (such as Forex currencies). Activities connected with the ALBA program were also completed for the implementation of the Remediation Act, to make required data available to the competent authorities.

Finally, in the Data & Analytics area, new Data and Information Governance tools were released to support the governance of Group business processes (such as Liquidity), while Data Quality initiatives are continuing. Other projects are also underway to support CRM activities for the various customer segments managed by the different legal entities. The projects will introduce advanced analytic tools for more effective sales work with customers, such as Churn and Cross Selling tools for CEE countries and the ValYou program in Germany.

Finally, new information gathering solutions and dashboard tools (such as Omni Channel) were released to the commercial network, which expand the information now available on transactions made and channels used and enable the effectiveness of available channels and optimization opportunities to be assessed.

Tech

The Tech office delivers innovative and affordable ICT infrastructure, guaranteeing ICT services of quality for our clients.

The office is responsible for designing application architectures that are compliant and consistent with UBIS and Group guidelines.
It directly and indirectly:
- Manages demand for infrastructure services from the various ICT factories in order to provide services tailored to their specific areas of competence, while managing dealings with the outsourcer;
- Manages capacity planning for ICT infrastructure resources, promoting their optimization;
- Identifies the infrastructure technology requirements to ensure their implementation, maintenance, and monitoring, regardless of whether the requirements are managed directly or through external providers;
- Manages the main data centers for UBIS's activities, overseeing their regular operation;
- Designs and manages the hardware distributed to Group companies located in the various countries (demand management, service planning and management support, production tool and method development, identification and purchasing of infrastructure solutions, system assistance, maintenance of installed equipment, warehouse management, etc.), ensuring its constant operation and updating;
- Guarantees and provides immediate technical support to Group top management;
- Develops technical expertise;
- Sets yearly budgets and outlines multi-year plans for the areas under its responsibility, providing underlying levels with operational guidelines and controlling their correct implementation.

Demand Mgmt & Factory Support Tech

In 2017, the office managed a global portfolio of 168 infrastructure projects for a total value of €117 million.

The major projects launched were based on the technical requirements expressed by bank stakeholders, UBIS units, and bank branches, and run within the frameworks of Transform 2019, regulatory requirements, and internal UBIS requirements.

In that context, Tech Managers were supported in their dealings with the client.
The project approval process within the Tech office has been streamlined and is managed on the basis of company rules.

Audit functions for all Tech and/or VTS units are performed by the Demand team.

In 2017, over 100 audit findings were monitored and closed by the various Tech units.

Tech Project Management

In 2017, the Tech Project Management team managed over 100 projects, both small and large, related to central ICT infrastructure (CICT) and distributed technologies (DICT). At the same time, the team provided its support on infrastructure issues for complex projects lead by other divisions (CIO, Security, etc.). Various Tech Project Management team members were involved in the Gibson2–Transformation project, negotiated last year with the outsourcer VTS as part of the Group's Multi-Year Plan.

In Italy, Germany, and CEE countries, the unit managed 87 central infrastructure projects and 12 distributed ICT projects for hardware refresh, software distribution, mobile devices, and Real Estate projects (such as smart working offices), and lent its support to over 23 projects managed by other company functions.

Projects directly managed included Munich Campus Transformation; OPUS; the Closing Project, Smart Working Rome, Milan, Trieste, and Bologna; a mobile feasibility study; Milano Borromei Cordusio SIM HQ; CZ-SK domestic network upgrades; and Unified Communication.

Examples of projects for which the Tech Project Management team provided its support include the Reorga Italy Project; doBank migration; MACH; GIMB; HVB Reorga; Mifid2; and Leslie.

The office also acts as an advisor and center of expertise on infrastructure issues, including activities and problems not covered directly by project initiatives.

Distributed ICT

An innovation program was launched during the year, targeting both technological and organizational innovation, within the framework of the Transform 2019 objectives, focusing specifically on the pillar "Transform Operating Model".

Analyses were conducted for the implementation of distributed ICT processes, with a view to improving user experience. Major digital workplace transformation projects were started up, designed on the needs of bank clients and colleagues.

In particular, the roll-out of the new Microsoft Windows 10 operating system for PCs and laptops was started, with testing begun in the final months of 2017, timed to coincide with the next personal device update in order to enhance operating performance and features for our colleagues.

A new mobility management strategy (smartphones and applications) has been outlined to ensure secure access to UniCredit's operating environment while making the most of the potential of mobile devices.

Client Services (Continued)

Tech (Continued)

A single, centralized management platform for mobile devices (tablets and smartphones) is now in the certification process.

In 2017, studies were begun for a review of the operational and organizational framework, aimed at improving efficiency in terms of costs, flexibility, and time-to-market, while guaranteeing maximum security and data protection.

DICT volumes managed in 2017 in the area of competence (Italy, Germany, Austria, Czech Republic, Slovakia, Hungary, Poland, and Romania) covered around 128,000 workplaces (PCs and laptops) and around 70,000 mobile devices (smartphones and tablets).

Local IMAC activities involved the management of over 90,000 service tickets, including both maintenance requests and support for the transformations underway in banks.

ICT Solutions & Capacity

During the year, the ICT Solutions & Capacity unit was responsible for:
- the technical management of data centers relevant to UBIS activities, maintenance of relative delivery services, and relative budget management;
- the management of dealings with the outsourcer VT-Services;
- the identification of technical solutions to be ordered from the outsourcer;
- the optimization of ICT infrastructure use and the monitoring of consumption;
- the monitoring of ICT infrastructure services provided by the outsourcer.

Major programs managed included:

Disaster Recovery

Launched in 2014, the Disaster Recovery program, run in partnership with VT-Services, is focused on securing the IT assets that underpin systemic and critical processes, in accordance with the new regulatory requirements introduced by the Bank of Italy in Circular 263.

Implementation activities for critical systems were completed in December 2016 (in line with the plan). DR solutions for the main technological patterns across critical systems at the Verona Bassona data center were tested in the first quarter of 2017, involving specific DR tests. In 2017, a DR solution was implemented for the teradata technological pattern for a subset only of shared business applications of economic and reputational importance. The solution will be improved and optimized over 2018 in order to lower the current RTO and RPO values, as required by the plan.
The Resiliency initiative, triggered by analyses conducted under the DR program, will also continue through 2018.

Transformation Project

The Gibson 2.0 program covers 53 initiatives planned over 2017–2019, aimed at introducing new technologies able to improve the effectiveness and efficiency of the services offered by UBIS, at a lower cost. The production and economic-financial targets set for the year were all met. Activities proceed in line with the plan and are constantly monitored by the Program governance team.

Markets Infrastructure Management

Infrastructure resiliency was improved in 2017, enabling it to resist a series of malicious threads, such as Wannacry. A number of transformation activities were started and completed during the year, including:
- transformations to sourcing in areas under the Global Contact Center, for Austrian managed services;
- the introduction of new technologies and operating methods meeting industry standards (the first containers – software storage solutions – entered production) and an analysis was started for the wider implementation and standardization of the DevOps model for all of UniCredit;
- a review of open system technology and the start-up of standardization programs to enable the industrialization of the platform.

Over 150 technology and application projects were supported from an infrastructure point of view. The main initiatives focused on:
- the Murex Consolidation project to unite three different Murex applications (FI/IRD, CRD, and FXO) into a single, consolidated front-office platform able to handle the entire series of features for fixed-income products, interest rate products, REPO options, and Forex;
- MiFID II: a regulatory-driven project to meet European Union requirements (Directive 2014/65/EU) for investment intermediaries that provide services to clients for stocks, bonds, collective investment units, and derivatives.

Security

The Security unit manages all activities connected with security services, in compliance with Group security rules and local laws and regulations, and in line with Parent Company guidelines.
Security services are designed to prevent and respond to criminal attacks and damages or interruptions to business operations that may damage the company, its property, equipment, and intangible assets, and/or impact adversely on its customers.
The unit also performs internal control tasks to support the day-to-day production business.

As such, working on the basis of, and in line with, Parent Company guidelines, Security:

- participates actively in Group projects aimed at implementing and/or changing security solutions and is responsible for assessing, developing, updating, and monitoring all ICT security matters, both directly and through specific service contracts;
- supports, as necessary, the competent Parent Company units in drafting global security rules (technical instructions);
- steers the governance of company ICT security, in line with operating targets;
- coordinates and ensures the updating of ICT security risk assessments by performing all the necessary prevention and investigation work to mitigate the risk and monitoring exposure levels and the proper management of security technologies; at the same time, the unit is responsible for identifying countermeasures and setting an appropriate benefit-cost ratio;
- is the Group specialist for the development of security solutions, for its area of competence;
- sets ICT security standards and designs security architecture, including the selection of products/technologies for the security of Group environments, on the basis of the guidelines provided by the competent Parent Company units;
- outlines and implements, as necessary, specific methodologies and metrics to furnish security solutions able to mitigate any operational risk faced by the company and the Group as a whole;
- provides physical ICT security services (electronic access control systems, video surveillance, security guards, etc.) and cash in transit management services for Italy only, to prevent and minimize any kind of damage to people and property;
- provides a fraud prevention service, including the identification and design of prevention solutions, detection systems, and service maintenance, and “Risk & Fraud” process and analysis solutions for the “Direct Channels” and “Cards Issuing/ Acquiring businesses;
- performs and conducts adequacy checks on internal controls on operational processes within the Italian perimeter, coordinating with all the areas involved (such as Risk Management), in order to propose the controls needed and cooperate on the implementation of mitigation tools for existing risks;
- supports the development and implementation of suitable anti-fraud systems and tools for Core Banking;
- designs and develops security solutions for centralized systems able to protect technological infrastructure and support infrastructure and internal service needs, while ensuring the effective implementation of the standards set;
- ensures that Group legal entities, within its area of competence, are aligned with the standards of international payment networks in relation to encrypted key generation and exchange activities;
- develops and manages an integrated system of identification and authorization mechanisms involving:
  - the management and maintenance of data access control systems based on profiles/roles;
  - the monitoring and continuous alignment of access profiles to ICT people;
  - guarantees of the proper functioning of profiles;
- interacts with, and reports all necessary information to, the competent Parent Company units to ensure the implementation of an integrated security service model;
- handles dealings with law enforcement agencies and security institutions to ensure a constant and constructive partnership with the territory, with a view to best protecting the interests of the Group, in complete compliance with national and company regulations and in coordination with other competent Parent Company units;
- supervises and coordinates business continuity, pandemic risk management, crisis management, and disaster recovery activities, in accordance with Group policy, involving:
  - the guaranteed development, management, and implementation of business continuity, pandemic risk management, and crisis management plans, in accordance with Group policy;
  - the guaranteed development, maintenance, and implementation of disaster recovery plans based on the solutions identified, developed, and maintained by the competent UBIS functions on the basis of business requirements, in order to support to the business continuity plans of UBIS clients;
  - the guaranteed management of the incident escalation process and the timely activation of all business continuity, pandemic risk management, crisis management, and disaster recovery plans, in coordination with the competent functions responsible for business continuity and disaster recovery solutions and the Parent Company’s BC&CM function, in the event of a crisis;
  - guidance to contribute to and monitor security education programs for the UBIS area.

Client Services (Continued)

Security (Continued)

The following initiatives were developed and supported over the year:

- Firewall Policy Orchestrator: implementation of a tool to manage firewall security policy, network access control lists (ACL), and security devices, building on a clear security profile for ICT infrastructure and services.
- Data Loss Prevention: the solution, implemented on all laptops and PCs (for UniCredit Bank CZ), is part of the Data Security program aimed at preventing the malicious use or unauthorized transmission of sensitive data.
- Password Manager Solution: solution for the secure saving and protection of documents and passwords, implemented for an initial set of "critical users" (1000 top managers).
- Anti-Fraud: evolution of the Sniper platform, which links additional data sources and integrates the platform with the Cyber Security platform.

Procurement

The Procurement service line is responsible for all activities connected with the management and optimization of the purchasing process for goods and services, contributing effectively to the rationalization of costs.

As such, Procurement is tasked with:
- supporting the Parent Company in outlining and proposing a unified approach for the development of the procurement function within the Group;
- promoting and steering, in line with Parent Company guidelines, category sourcing strategies at Group level;
- purchasing goods and services to make the most of economies of scope and scale, in order to maximize the potential synergies in the Group;
- managing procurement demand from the various internal clients, in particular, demand from UBIS factories, on the basis of set strategies and guidelines;
- conducting market research and surveys, negotiating, and making calls for tenders in the marketplace, to ensure competitive supply conditions for the Group;
- supporting clients, building on its knowledge of the market, with innovative product/service solutions to optimize costs and ensure the highest quality standards;
- negotiating and executing purchasing agreements on behalf of the Group, in accordance with the formats and guidelines provided by Legal;
- monitoring the performance quality of suppliers, in particular strategic suppliers, assessing the effectiveness of the supply relationship, and promoting improvement measures.

With the reorganization of UBIS as of July 2017, Procurement is responsible for:
- the constant monitoring of in-scope operating costs, in order to identify specific rationalization measures, and coordinating the process for the release of binding/non-binding opinions;
- insurance management activities within UBIS, in accordance with the model and guidelines issued by the Parent Company.

The Procurement service line is also responsible for the Central Sourcing unit, tasked with the global negotiation of contracts to promote the standardization of goods and services, using the volumes generated by the Group as a lever. A local Procurement Office is present in each country to manage services in accordance with local specificities and country legislation.

During the year, the Procurement service line pushed ahead with its activities under the Industrial Plan, focusing on:

- The renegotiation of existing contracts due for expiry, with a view to improving the Group's cost profile by:
  - consolidating suppliers and making greater use of calls for tenders;
  - standardizing supplies across the Group;
  - aligning more closely with the internal Group beneficiaries of the contracts.
- The negotiation of new supply contracts for goods and services, including on a project basis, releasing significant budget funds to the CFO/Company.
- The management of IT services, focusing on the growing use of the Group's i-Faber procurement platform for engagements, especially for the purchase of turnkey services where the provider assumes full responsibility for all aspects of the service offered, guaranteeing the service levels and delivery times agreed by contract and set budget targets. Procurement processes have been modified to help achieve this objective.

Negotiation initiatives have delivered over €281 million in savings (equal to 12% of negotiation volumes), with €1.261 billion in contracts negotiated through online auctions.

Client Services (Continued)

Operations

Operations provides affordable back-office services that guarantee the on-time delivery of quality services to clients, enabling their business operations.

Operations also plays a coordinating and steering role for UBIS's foreign branches in Poland and Romania and the subsidiary Uni IT in relation to governance and business strategy. It acts as an interface between the branches/subsidiary and head office, addressing local issues and rolling out locally the strategy, processes, and guidelines set by head office.

Operations is divided into the units:

- Operations Development, which plays a supporting role in outlining the global operations service model and steers its implementation within UBIS. The unit identifies, steers, and coordinates cross-functional Customer Operations Management projects and initiatives aimed at streamlining, standardizing, and optimizing activities and procedures, while ensuring their continuous improvement through the application of Lean Six Sigma methods. It also provides support for the standardization and rationalization of the company's Operational Reporting System. In 2017, Operations Development worked on key process digitalization and automation initiatives at the UBIS and Group levels, pushing ahead with the Document & Case Management program and starting on the Robotic Process Automation (RPA) program. The first program involved the use of recognition and case management tools, with many of the projects involving E2E work to modify and completely overhaul how network and back-office colleagues work. The RPA program kicked-off during the year with the identification of the technological solution and the launch of the first projects under the program. They enabled a target operating model to be built and rules of engagement to be outlined for the different areas involved. The core team forming an interdisciplinary center of excellence was created and a training program was initiated for internal team members.
  The unit continued with its growth plan over the year and with the application of advanced process re-engineering techniques, introducing measures to optimize the day-to-day management of its offices and make the most of its people. Active collaboration in the E2E Transformation 2019 program saw the unit lend its skills and expertise for the review and optimization of the business, enabling greater collaboration between business and back-office functions. Lean Six Sigma training continued to be delivered in UBIS and across the Group, with around 120 colleagues attaining certification for various roles. A new program was also begun to train six new Master Black Belts. Projects started up over the year included optimization initiatives targeted at governance structures such as Human Capital, as well as projects for the centralization of middle-office activities, such as the Foreign Trade Center. In all these initiatives, efforts were focused not only on the process review, but in supporting colleagues in the transformation and change management process to ensure delivery of the outcomes expected (drafting of business requirements, test cases, support in test phases to identify further room for improvement, mentoring of both operations and branch colleagues, and analyses of behavior and resistance to change). Building on our internal expertise, a performance management and E2E reporting system was introduced, through which process KPIs that can be shared, analyzed, and monitored, with information updated daily for both business and back-office functions.
- Operations Capacity Management, which assists the Head of Operations in balancing the assignment of annual production capacity to cover client demand for back-office work (services, project portfolio, etc.) in planning, execution, and monitoring stages and in managing individual Customer Operations Management functions in order to optimize the workforce allocated. The unit also monitors production performance and Operations projects through specific performance indicators.
  In 2017, OCM managed and coordinated the International Process Consolidation (iPC) initiative for the consolidation of Global Hubs, and analyzed and promoted the resizing of the structures through the balancing of capacity, supporting peaks in volumes, and task forces. The unit also took part in benchmarking sessions (ABI Lab, ABSL) on the interbank scale and managed the Operations budget and planning initiatives, in line with T19 target objectives.

- Investment Banking Ops Mgmt., which acts as the single entry point for the client relationship with the CIB Division, in relation to operations services provided. It guarantees that operations services delivered meet the service levels agreed with clients and the continuous compliance of services with new internal rules and local country regulations. At the local level (Italy, Germany, Czech Republic, Slovakia, the United Kingdom, New York, and Singapore), the unit monitors operational activities for the CIB and CEE Divisions, ensuring compliance with Group operational risk policies.
  In 2017 Investment Banking Ops Mgmt successfully implemented regulatory requirements for Operations (such as ESMA Level 3 and Bank of Italy reporting) and supported the migration of various IT applications (such as LoanIQ Italia). It additionally managed a series of new services following the expansion of the CIB Division's business (e.g., Gold Lease and the new Abu Dhabi Branch).

- "Branch Romania" and "Branch Poland" are responsible for:
  - dealings, including any kind of legal disputes and litigation, with institutions, authorities, government bodies, and local organizations, including therein supervisory authorities, tax authorities, occupational health and safety agencies, chambers of commerce, workers' representatives, trade unions, financial institutions, and suppliers;
  - ensuring compliance with all requirements connected with local regulations and internal company policies and rules;
  - managing dealings with local stakeholders and acting as an interface with clients in relation to all needs and issues that are otherwise not handled through set processes and structures, sounding out and relaying the requirements to the relevant functions/structures and ensuring their proper resolution;
  - spreading company values and constantly monitoring the company climate, in concert with the designated central functions;

- acting as a point of reference for all UBIS competence lines, providing organizational structures and staff to support:
  - "HR Management" in the management and development of human resources and in the management of dealings and negotiations with local workers' representatives (Works Council/ trade unions);
  - "Planning, Finance & Administration" in the management of economic/financial matters and in facilitating the implementation of strategic and operational plans; they ensure that organizational models set at the central level (delegation/sub-delegation frameworks and Parent Company guidelines) are compliance with local laws in force;
- acting as the "Operational RTO" – as concerns accounting and payroll services for administrative, accounting, and tax compliance – in dealings with outsourcers, in accordance with company regulations in force.

- Customer Operations Management (Czech Republic/Slovakia, Germany, Italy, Poland, and Romania), which is primarily responsible for:
  - acting as the single entry point for dealings with the local client, as concerns operations services provided;
  - guaranteeing that operations services delivered meet the service levels agreed with clients;
  - guaranteeing the continuous compliance of services with new internal rules and local country regulations;
  - balancing production capacity in its area of competence, working with the "capacity operations" function;
  - identifying opportunities for the continuous improvement of services provided, in collaboration with the "operations development" function;
  - monitoring, at the local level, operational activities for clients, ensuring compliance with Group operational risk policies concerning payment, cash management, securities, lending, public administration, core banking, CFO, trade finance, and payment card operations services;
  - in Italy, acting as the "Operational RTO" – for operations services connected with liability and asset management and HR management – in dealings with outsourcers, in accordance with company regulations in force;
  - In Poland and Romania, acting as a hub for global operations services for CSF Operations.

During the year, Customer Operations Management CZ/SK contributed to the preparation and testing of a new IT system, lending its support for the migration of data and the go-live on October 9. The major effort dedicated to the project was sustained without additional budget investments and without affecting the usual service levels delivered to clients.

The main results delivered in 2017 by Customer Operations Mgmt Germany included:
- the transfer of activities into and out of the scope of the Germany area was completed;
- the consolidation of the site and the closure of the Augsburg site were completed;
- 40% of employees managed were redeployed successfully;
- staff downsizing was managed successfully;
- a new organizational framework was introduced and accepted positively by employees and the bank, with responsibility towards the client clearly managed and communications made clearly to employees, and new opportunities identified for efficiencies and synergies both internally and with respect to clients.

In Italy, processes continued to be optimized and streamlined and were strengthened by the consolidation of the global hub and the re-engineering and digitization of processes. BT and UBIS back-office activities were consolidated, by rationalization and sreamlining.
The HR Platform initiative to support capacity balancing in Operations and Commercial Banking Italy locally contributed to covering approximately 30% of the CBKI geographical mismatch. Planned over 2017 and 2018, the initiative involves the exchange of around 350 FTE employees, of which 125 FTE exchanges were completed in 2017.

For Operations Poland, 2017 was a year of growth and development in two particular areas: Accounts and Credits.
Accounts: the year 2017 was one of great success for the unit.
Accounts in terms of the Five Fundamentals:
- Customer First and Risk Management: three audits produced satisfying results, with constant attention placed on quality;
- People Development: nine new appointments and five approved appointments for TMR 2018;
- Cooperation and Synergies: a task force was created for the HVB certification of Romania;
- Execution and Discipline: the International Process Consolidation Project was successfully completed one year ahead of schedule.

The iPC project for the transfer of processes and process responsibilities from Germany to Poland was successfully completed. Alongside the iPC project, activities in the lending area were temporarily transferred to free up capacity in Germany for another project.
Credits GmbH: training courses were run and processes transferred in the areas New Business Private, SMB & Corporate, FX Action, Workout, Repayment, and Collateral under the ongoing iPC project, and the entire workload of Vienna was taken on.

One of the most important results for Customer Operations Management Romania in 2017 was the consolidation of the global hubs for Cash Management, Credits, Customer Information, and Securities as part of the International Process Consolidation Project, and the creation of a Global Hub for Foreign Trade activities, involving the transfer of activities from GTB.

Client Services (Continued)

Real Estate & Logistics

“Real Estate & Logistics” provides technical and administrative real estate services for internal and external clients. It supports the Parent Company in managing and optimizing the proprietary real estate portfolio, for both strategic and non-strategic assets.

The service line is responsible for:
- planning, implementing, and monitoring RE projects over the entire life cycle of the assets;
- planning and providing facility management services in core countries and to non-captive clients, with a view to maintaining the efficiency and operational continuity of real estate assets;
- planning and providing construction services, with a view to optimizing costs and schedules and improving the quality of all real estate transformation projects;
- proposing and implementing active portfolio management strategies, in accordance with Group policies;
- planning and effecting transactions, in line with the portfolio management strategy adopted;
- performing real estate administration services for the used portfolios of the banks;
- supporting clients in carrying out real estate projects through advisory, program management, and specific real estate services;
- for the Italy area, planning, identifying, performing, and monitoring all health and safety prevention activities in temporary and mobile construction sites, where required;
- managing international facility activities, acting as a single entry point for the foreign branches and representative offices of UniCredit Bank AG and UCI;
- overseeing space inventory activities for all Group properties;
- providing employees with logistic resources (such as materials, equipment, and general services) at the global level, where required.

In Italy in 2017, the Real Estate service line was expanded to include the Logistics unit, which, in relation to UBIS and its units, is responsible for:
- sourcing and managing – for company employees and the employees of external companies operating within UBIS – the logistic resources and technical infrastructure needed for site access, the set up of individual work stations, personal work equipment (e.g., mobile phones and other mobile devices), and common areas, in compliance with relevant Group and Company policies and processes;
- coordinating moving/personnel relocation activities;
- managing the company car fleet and connected services (e.g., Telepass motorway tags);
- coordinating the management of company car parks (e.g., allocations, passes, etc.);
- overseeing the centralized management of consumables and their distribution;
- ensuring delivery of “general services” (such as internal and external mail delivery), also through the engagement of external service providers;
- promoting standardization and efficiency improvement initiatives and greater efficiency in logistics management.

Over the year the unit worked primarily on the following activities:
- the sale of the non-core portfolio, involving transactions for over €1,100 million (in Italy, Germany, Austria, and CEE countries);
- space rationalization and redistribution projects, in line with smart working principles, for core Group real estate in Italy (Milan, Rome, Potenza, and, shortly, Trieste), Europe (Vienna and Munich), and the United Arab Emirates;
- optimization and transformation projects for the commercial network;
- support for Corporate & Investment Banking (CIB) in the management of its international network.

In Italy, work continued on the sale of non-core real estate, with 43 sales concluded in 2017 for a total of around €26 million. We additionally report that the Group has accepted an offer of €55 million for the sale of Palazzo Mancini (Rome).

The Arianna portal (www.ariannaunicredit.eu) proved once again to be the main channel for advertising non-core UniCredit assets on the market in Italy, involving a simple, transparent process without agency fees. In 2017, the real estate portfolio managed through the website and tool decreased significantly in size due to the exclusion of UniCredit Leasing assets and the sale of Salone SpA. Notwithstanding this, Arianna registered around 700,000 site visits, delivering important results showing growth on 2016. During the year, an additional 100 new properties were advertised, over 4,000 expressions of interest were shown, and around 230 offers were received.

As concerns core real estate assets, the “Kill the Rent” project for the renegotiation of property leases continued successfully, generating around €49 million in rent savings since its launch in 2009.

The Real Estate Italy service line pushed ahead with its work on the Smart Working project, based on the concept of the “sharing economy” applied to office space and involving a shift from the exclusive use of work stations to their free access. Work spaces were redesigned to meet the real needs of workers at different times of the day, with the introduction of differentiated work areas (the number of differently sized meeting rooms was increased and informal areas, concentration rooms, and spaces guaranteeing privacy were all created).

In Italy in 2017, an additional 6,000m2 of the Via Livio Cambi properties in Milan were transformed, bringing the total areas transformed since the start of the project up to 58,000m2. A major Rome City Plan was also launched, which will see the conversion by 2019 of the buildings in Largo Anzani and Largo Fochetti into smart working spaces, where a total of 2,450 people will be transferred from the Viale Tupini building, to be released in July 2019.

The release of the Cordusio building in Milan was brought to term in July 2017, with 400 people relocated to seven target sites. The project involved the opening and completion in just 5 months of four construction sites, with work valued at €5.5 million. Work brought to term included:

- the renovation of the Milan Piazza Edison branch along the lines of an innovative "pool & share" model (trialled in the Milan Carducci branch in 2016), to absorb the Cordusio branch;
- the complete renovation of the Via Manzoni building, where Corporate Centers, a Private Banking branch, and the Milan Central Sales Area are all housed;
- the headquarters of the wealth management company "Cordusio SIM" in Via Borromei;
- a new Business Center in Via Verdi. The center is a special branch format dedicated to Small Business customers, featuring a "lounge" area for events and where clients can connect to the Internet and organize meetings.

A second Business Center will be completed by the end of the year in Padua, with another five Business Centers in the pipeline for 2018.

In Reggio Emilia, renovation work was completed on the building in Via Rivoluzione D'Ottobre, where 570 people are located on 12 levels totaling 5,400m2, involving the transformation of the offices into an open space layout, their complete functional and spatial redevelopment, the structural and decorative renovation of the exteriors, and the refurbishing of common areas; whereas in December, Palazzo Pratonieri, in Via Toschi, was inaugurated, a historic building of great artistic and cultural value for the city. Together with the Santo Stefano property, the renovation of Palazzo Pratonieri enabled buildings in Piazza Monte and Piazza Prampolini to be released, earning a total saving of around €1 million.

In 2017 the Potenza City Plan was brought to term (saving €1 million) and a Trieste City Plan was started up, with renovations completed on the Torre Bianca, Corso Italia 15, and Via Donzetti 1 buildings. The transfer of staff to these buildings, and to the Via Roma 5 building, due to be completed in February 2018, will enable the release of the Via Cassa di Risparmio offices, earning savings of around €1 million.

Real Estate Italy also worked to support the analysis stage and then the start-up of activities on real estate in connection with the sale of its collateral loan business to the Austrian auction house Dorotheum, under a binding agreement made in November.

Energy audits continued to be conducted in 2017 on large real estate assets and branch networks, resulting in the identification of effective energy efficiency plans. As part of these activities, a structured process was activated for the monitoring of around 1,200 properties through the Adverto remote control platform, enabling timely calls to be made to maintenance providers, follow-ups on the resolution of problems, and the measurement of specific contractual KPIs for the proper energy management of the buildings.

Real Estate Italy was the main partner working with Commercial Banking Italy to achieve its optimization objectives for the retail branch network, with an additional 391 branches closed (vs. 350 planned closures) to resize the network to 2,663 retail branches across the country. The resulting savings delivered over the horizon of the Transform 2019 Plan will come to more than €30 million.

Alongside the optimization of the footprint of the national retail network, efforts focused on its transformation and modernization. Work was completed on the total renovation of 50 branches for the introduction of all the components of the new OPEN branch model and on 19 Smart Desk projects for the application of part of the RUN model, specifically the components for customer areas. In general, a total of €30 million of work will be carried out on target branches for the creation of new work stations to receive personnel from branches that have been closed, the reorganization of branch layouts, the creation of new self-service areas to expand direct channels, the installation of express tellers, and the enhancement of ATMs.

To support the migration towards direct banking channels, Real Estate has developed a project for the installation of new machine formats that, at various levels, replace traditional tellers with next-generation automatic telling machines for transactions. As part of the project, over 185 Smart Branches and 135 Cashless Branches have been created. At the same time, the stock of machines has been renewed with the installation of 159 express tellers and the replacement of 227 ATMs.

In 2017, the Logistics unit worked primarily on:

- the moving activities required for the merging of organizational units following the reorganization of the company in all Italy and international offices, for the preliminary merging/transfer of personnel located in buildings affected by the Rome City Plan (UBIS and Bank area), and for the optimization of space in Italy and international offices involved in the Smart Working project and business unit disposals;
- the closure of the Potenza offices;
- the ordinary management of hardware, mobile phone, and company car distribution and collection activities;
- the rationalization and management of archives and warehouses.

Work continued over the year on the analyses and activities required for the release of the new company fleet management platform and the analysis and cost/consumption control tool for company mobile phones. A feasibility study is currently underway for the unified management of all moving activities involving large buildings for all Group legal entities.

Client Services (Continued)

Real Estate & Logistics (Continued)

CEE and Intl Network

CEE Area
Building on the success of the first smart working offices set up in CEE, such as in Iasi and Belgrade, the Smart Working initiative is injecting an added boost to the transformation process of our head offices.
In Warsaw, work has begun on the consolidation of the two offices into a single office building, providing additional space for a total of 310 employees. With work planned to start soon on other offices in the CEE area, the optimization initiative will reduce the space occupied and lower the relative costs.
In 2017, the head office optimization project as a whole enabled the release of 24,000m^2 of office space, started in 2016, to be finalized, with support provided to local units and activities monitored centrally.
Consolidation, standardization, and new international competitive tenders for the supply of furniture and furnishings for CEE countries will deliver major cost savings.

CIB International Network
From the very start of the project, UBIS lent its support to Corporate & Investment Banking (CIB) for the design and construction of the new CIB International Network branch in Abu Dhabi, capital of the United Arab Emirates.
The new branch, housed in a space of 540m^2, is located in the Abu Dhabi Global Market, the city's financial free zone, and is set to become a major centre for the creation of cross-border business and expansion of our international products, targeted at our corporate clients and financial institutions.

Austria
Work continued on the Vienna Campus, which, started in 2015, is due to be completed by mid-2018. Building on the "Campino" trial (the Campus test office), the findings from around 120 users were incorporated into the landscape of the Campus offices and have now been implemented in the first UniCredit Group Campus complex.
The transfer of 5,200 people has been planned on weekends in the second quarter of 2018.
The Group will occupy two of the five buildings making up the complex, which extends over an area of more than 300,000m^2.
Building on smart working principles and designed to optimize space, the Campus will bring together eight offices, reducing space per employee by 50%. Sustainable plans are in place for the clearance of the buildings formerly occupied, involving the partial recycling of transportable materials.
As concerns network projects, in 2017 Austria achieved its target of 123 branches, with 18 branches vacated and 47 branches renovated.

Real Estate & Logistics Austria supports UniCredit Bank Austria AG in its implementation work and in ensuring compliance with the Energy Efficiency Act through internal auditing and the development of relevant measures.
Real Estate & Logistics Austria also lends it support for the internal and external auditing of UniCredit Bank Austria AG in relation to ISO 14001 certification.

Germany
In Germany, the Munich Campus Transformation (MCT) project continued, with additional offices to be vacated and the transfer of personnel to the Tucherpark and Arabellapark offices. In 2016, renovation work was completed on the Arabellapark Tower, transforming the offices along smart working principles and raising the occupancy capacity by around 20% to 1,400 people.
The Arabellapark complex is due to be completed by the end of 2022, with the conclusion of work on the lower part of the structure, making space for an additional 1,400 people and bringing the total occupancy capacity of the complex up to 2,800 people.
Real estate sales in Germany totaled over €70 million. The biggest transactions were made by the European Office Fund, which brought to term the sale of three properties designated for office use, located in Amsterdam, Krefeld, and Mönchengladbach. Other sales included an area of building land, a public park area, a sports ground, the Floriansmühle hydroelectricity plant in Munich, and around 35 minor properties.
To support the planning of the Munich Campus Transformation project, UBIS Germany oversaw the strategic consolidation of its workplaces, merging the offices of its Tucherpark and Unterföhring Quadriga sites in Munich.

Equity Investments

Wholly-owned Subsidiaries

UniCredit Business Integrated Solutions Austria GmbH

The company was originally registered in the Business Register held by the Vienna Commercial Court under the name Infrastruktur Holding GmbH on April 6, 2004. The name of the company was changed in 2011 to UGIS Austria GmbH, and then again in 2012 to UniCredit Business Integrated Solutions Austria GmbH (UBIS Austria). The company's registered office is located at Nordbergstrasse 13, Vienna 1090.

By agreement made on May 10, 2011, UniCredit Bank Austria AG sold the entire capital stock of UniCredit Business Integrated Solutions Austria GmbH to UniCredit Global Information Services S.C.p.A., Milan (now UniCredit Business Integrated Solutions S.C.p.A.). As a result, the latter is now 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. Then, as part of new organizational arrangements, Bank Austria Global Information Services GmbH, Vienna (BAGIS) merged with UniCredit Business Integrated Solutions Austria GmbH, under a merger agreement made on June 20, 2011. The share capital of UniCredit Business Integrated Solutions Austria GmbH was raised to €1,200,000.

On January 18, 2012, UniCredit Business Integrated Solutions Austria GmbH merged with UniCredit Business Partner GmbH (UCBP, the transferring company).
Under a subsequent agreement made on 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 unit (payroll administration) of UniCredit Bank Austria AG (Bank Austria), together with payroll, pensions, travel management, training, and organizational management operations were transferred to UniCredit Business Integrated Solutions Austria GmbH.

As of June 1, 2012, personnel accounting operations were assigned to a joint venture between UniCredit Business Integrated Solutions S.C.p.A. and Hewlett Packard Italy, Milan, named ES Shared Service Center S.p.A., created for the purpose of standardizing the development and management of all UniCredit Group personnel.

Value Transformation Services (VT-Services), a new joint venture between UniCredit Business Integrated Solutions and IBM, officially started up its operations on September 1, 2013.
The company operates in Italy, Germany, Austria, Czech Republic, Slovakia, and Hungary. UBIS is tasked with coordinating and controlling services outsourced to Blue IT, VT Services, and ES Shared Service Center. In Italy, Germany, and Austria, that task is performed by UBIS Retained Organization.

On January 1, 2014, UniCredit Business Integrated Solutions Austria GmbH acquired the entire capital stock of Domus Clean Reinigungs GmbH. However, due to the persistently negative performance of Domus Clean, on December 31, 2015 it was decided to write off the equity investment in full.

On August 2, 2016, as part of the LINK project, the Supervisory Board of UBIS Austria GmbH decided to sell its e-money (or Card Factory) business to the company SIA S.p.A., with which a 10-year service agreement was then made for the outsourcing of the services. For the purposes of the transaction, UBIS Austria GmbH acquired a 100% equity interest in the company Krumpental Verwertung GmbH on November 3, 2016, subsequently renamed PforCards GmbH, which was then sold in full to SIA S.p.A. at the end of 2016. An outsourcing agreement was then made for the provision of card services to UBIS Austria GmbH.

As decided by the sole shareholder on October 4, 2016, steps were taken for the winding up of Domus Clean Reinigungs GmbH, with the liquidation procedure announced on October 20, 2016 in the Official Journal insert of the newspaper Wiener Zeitung. The liquidation process was officially begun on that date, with creditors of the company invited to contact the liquidator.

UBIS Austria GmbH (formerly UGIS Austria GmbH) is scoped into the consolidated financial statements of UniCredit and is affiliated to UniCredit Bank Austria AG for sales tax purposes.

In 2017, the company continued to improve service levels for its client, in spite of spending cuts, and expand its use of new, more efficient technologies. Rapid growth and digitization have profoundly changed the business of our client, Bank Austria.

Bank Austria continued to rely on its business model as a "universal bank", while building its retail business at the same time, with the aim of achieving sustainable earnings by the end of 2018. The goal is to improve its cost-revenue ratio to 60% by that target date. To do so, it has adopted a major cost reduction program, but also a sustainable income generation plan.

The process of change in its retail banking business in Austria revolves around a new retail service model. The roll-out of the model in branches, started up two years ago, has been a nationwide success, with sales revenues already showing improvement and set to continue growing. At the end of 2017, 68 branches had been converted to the new model.

The introduction of the new "Expert Advice Model" and a multichannel approach will make for an even better customer experience and, above all, lighten the load on branches. Digitization plays a key role in that process, saving time for commercial banking services. The innovative digital offering and the associated

Equity Investments (Continued)

Wholly-owned Subsidiaries (Continued)

advantages for customers are freeing up precious resources in branches, which can now be assigned to commercial banking activities.

In 2018, UBIS Austria will continue to support Bank Austria AG on various projects to further expand and develop its business model, while working at the same time on the cost reduction program, leveraging, in both cases, the opportunities offered by digitization. The implementation of a series of regulatory requirements will also be important.

UBIS Austria will be pushing ahead in its work on operations to deliver target costs savings. In particular, near-shoring activities will continue at an intense pace, while the potential cost reductions associated with personnel cuts and the downsizing of the branch network remain a core goal for UBIS. Other key contributions to reducing costs will come from real estate projects to complete the Austria Campus and branch consolidation, as well as the continued roll-out of the new retail service model.

Uni IT S.r.l.

The subsidiary Uni IT is a UNI EN ISO 9001:2015, ISO 27001:2014, and ISO IEC 20000:2011 certified company that provides services designed to improve the administrative management efficiency of public sector bodies.
The company has been an AgID accredited conservation service provider since 2015.
The accreditation is a necessary requirement for providing conservation services to public administration bodies. It guarantees high quality and security standards, also for private individuals, in accordance with laws in force.

With an overriding focus on service quality and customer satisfaction, the mission of Uni IT is to:
- constitute a benchmark for the public sector for the provision of advanced products and services;
- be a partner for the optimization of Treasury activities and other innovative services;
- offer the market a solution, provided directly and as an ASP, for electronic payment orders (EPOs), designed to innovate and enhance administrative processes and exchanges between public bodies and Treasury;
- ensure the constant development of the solution to maintain its nationwide recognition;
- offer electronic document conservation services for both the public and private sectors.

In 2017, Uni IT continued its compliance work on the solution to meet current legislative requirements, with a view to maximizing benefits, cost containment, and risk control for both users and Treasury.
The EPO solution acts as an interface between the applications used by public entities and the Treasury system. Building on digital signature technologies, combined with the highest security standards, the solution ensures the certainty of the information exchanged in data flows with Treasury, effective controls, and swift payments, all in compliance with law, as in force from time to time, and Bank of Italy instructions.

The Uni IT EPO solution delivers the advantages of:
- eliminating the flow of paper documents to and from Treasury;
- eliminating the flow of paper documents from public entities to beneficiaries by notifying them by e-mail when payments are available;
- reducing the time involved in checking activities;
- archiving and conserving documents carrying digital signatures, with the option of printing, including documents checked by Treasury;
- optimizing work places and logistics solutions following the dematerialization of documents;
- timely controls on payment and collection flows;
- accelerating payment times and processes;
- controlling and monitoring flows issued by Treasury;
- online checks on the status of documents held by Treasury;
- a solution that can be activated swiftly and that is easy to use.

In 2017, Uni IT created and rolled out a new solution meeting Siope requirements, to be used on a mandatory basis as of 2018 by all local public administration bodies.
As at December 31, 2017, the solution was being used by one pilot region, having passed the test stage required by the Bank of Italy.

Activities slowed down in 2017, compared to previous years, due to the deferment to 2018 of the deadline to activate the new interface between public bodies and Treasury, in which dealings are no longer direct, but mediated by the Bank of Italy. This deferment of the deadline further postponed the move from paper documents to electronic documents by public entities. As at December 31, 2017, a total of 764 local public bodies, distributed across 18 regions, had adopted the EPO solution developed by the company. Approximately 9.6 million payment orders were handled over the year, with around 80 accounting systems interfaced, to improve data processing efficiency by Treasury. The application is hosted in two data centers.

Now consolidated, the electronic document conservation service was used by 363 clients as at year end.
Revenues from the service amounted to €3.454 million, bringing profit for the year to €237,653.

Uni IT is on the constant lookout for new growth opportunities in areas connected with, or complementary to, its current business. Moreover, by adopting electronic tools and providing services to its public sector and banking clients that enable a significant reduction in paper consumption, the company contributes to the conservation of environmental resources.

Associates

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

ABAS S.p.A. operates as a joint venture set up by UniCredit Group and the Accenture Group for the provision of back-office services for asset and liability management operations.

As of April 1, 2013, when UniCredit Business Integrated Solutions S.C.p.A. transferred its Invoice Management business to the company, UBIS holds a 49% equity interest in ABAS S.p.A..

In its fifth year of operations, ABAS extended the scope of its services to include Document Management activities. The stabilization stage of the service was brought to term on June 30, 2017. No significant critical issues emerged in the services provided over the year in the service areas under contract and the main service metrics, especially as concerns digitization times for documents received, were all in line with the service levels agreed by contract. As at August 31, 2017, volumes managed were below expected levels, due to delays in the release of some of the modifications needed to legacy systems.

Service levels delivered in the Invoice Management area were above the target levels agreed in the Service Level Agreement, despite the incomplete fulfillment of the service levels due from the beneficiary companies under the Operation Level Agreement in place.
The main events that occurred in the reporting period included:

- in May 2017, Invoice Management services ceased to be delivered to the client Do Bank (formerly UCCMB);
- in June 2017, the audit of ABAS's Trieste office (Corso Italia 35) confirmed its 18001 occupational health and safety certification.

As concerns Application Outsourcing (AO) services, service levels proved to be in line with expected target levels and no significant critical issues emerged.
Annual service ticket volumes for the "UBIS Application Cluster" and "UCG Application Cluster" areas amounted to 5,700 service requests, of which 70% relating to the UBIS area, remaining stable with respect to the previous year.
Upgrading activities continued to be a key focus of work, with around 110 change requests received and handled for a total of approximately 1,000 man-days.

No major critical issues emerged in relation to the operational management of Infrastructure Outsourcing services, showing the service to be stable and under control and in line with expected service levels.

Activities in this service area during the year included:

- AIX and Linus patching, completed in March 2017;
- the upgrade of the Oracle database, completed in August 2017.

On August 4, 2017, a new service agreement was made by ABAS with UBIS and UCI for the extension of Invoice Management services to include "document conformity checks". The agreement was part of a comprehensive overhaul of ABAS's Invoice Management service agreements, in view of the significant cut in the contractual prices to be received from UniCredit over the remaining contract term.
The new arrangements will see ABAS transform its current delivery model and processes into a "digital" model built on automation and robotics solutions.

Finally, on October 6, 2017, ABAS entered into a second service agreement to extend Invoice
Management services to include the following new service areas:

- Payments (bill management, F24 tax payments, advances on invoices, and RiBa/MAV collections);
- Factoring;
- Administrative management of real estate owned by UniCredit Group retirement funds.

The company's annual financial statements as at August 31, 2017 posted a net profit of €69,360 and revenues from sales and services totaling €14,488,324. The operational, economic, and financial management of the company is run by Accenture Managed Services S.p.A., under the arrangements set forth in the shareholders' agreements in place between the parties.

As at August 31, 2017, company personnel totaled 98 employees, including 77 employees posted to the Trieste office and 21 posted to the Rome office. A total of 34 employees were engaged under part-time arrangements, including 27 in Trieste and 7 in Rome.
With regard to litigation pending, we report that the Rome Court of Appeal set the hearing of the class action brought by ABAS employees in Rome to May 3, 2018, while the Trieste Court of Appeal set the hearing of the class action brought by ABAS employees in Trieste to February 8, 2018.

ES Shared Service Center S.p.A.

Established in 2012, the company operates as a joint venture set up by UniCredit Group and the Hewlett Packard Group (now Hewlett Packard Enterprise – HPE) in order to provide Human Resources management services under the service agreement made on April 24, 2012. UniCredit Business Integrated Solutions holds a 49% equity interest in the company.
Under the 15-year service agreement between ES Shared Service Center S.p.A. (ES SSC) and UniCredit Business Integrated Solutions S.C.p.A., the company provides administrative services for human resources belonging to UniCredit Group.

Equity Investments (Continued)

Associates (Continued)

ES Shared Service Center S.p.A. pursues the objective of delivering incremental levels of efficiency over time to reduce service costs for the UniCredit Group, while at the same time pursuing a growth strategy to develop its external market and acquire new third-party clients to generate additional business.
The economic, financial, and operational management of the company is run by HPE.
In 2017, a migration and transformation program was brought to term to transfer the hardware and software procedures of UniCredit Business Integrated Solutions to HPE systems for Austria.
Major releases were also made for Italy between the end of 2016 and 2017 for the migration of time management processes from UniCredit Business Integrated Solutions systems to the SAP platform.

As part of the new HR Transformation program led by UCI HR Transformation & Operations Office, discussions and negotiations were conducted for the comprehensive overhaul of dealings with the company.
Specifically, the service agreement for UBIS S.c.p.A. now includes a "termination for convenience" clause, which will enable UBIS to terminate the current agreement as of July 2018 for a termination fee (€4 million + VAT), on the condition that UBIS waives all claims to collect the put option currently contemplated for the sale of the €18 million interest held by UBIS S.c.p.A. in the joint venture ES SSC.
In the event that UBIS exercises the termination clause within the set term, and in any case by and no later than 2019, the service agreement for UBIS GmbH will be subject to a price adjustment to cover the loss of economic and process synergies in Italy for the service provider.

Value Transformation Services S.p.A.

The executive plan for the Gibson project was brought to term with the transfer, on September 1, 2013, by UniCredit Business Integrated Solutions S.C.p.A., of the Italian and German operations of the Technological Infrastructures business unit to Value Transformation Services S.p.A. (VT-Services), a new company established and controlled by IBM Italia S.p.A.
As a result of the transfer, UniCredit Business Integrated Solutions holds a 49% equity interest in the company.
The operational, economic, and financial management of VT-Services is run by IBM Italia S.p.A., under the arrangements set forth in the shareholders' agreements in place between the parties. The service agreement made by UniCredit Business Integrated Solutions and VT-Services on occasion of the corporate transaction provides for a series of governance mechanisms to ensure suitable levels of control and involvement by the management of UniCredit Business Integrated Solutions in all matters and decisions affecting the quality and cost of the service provided.
Launched in 2014, the Disaster Recovery program, run in partnership with VT-Services, is focused on securing the IT assets that underpin systemic and critical processes, in accordance with the new regulatory requirements introduced by the Bank of Italy in Circular 263. Implementation activities for critical systems were completed in December 2016 (in line with the plan).
DR solutions for the main technological patterns across critical systems at the Verona Bassona data center were tested in the first quarter of 2017, involving specific DR tests. In 2017, a DR solution was implemented for the teradata technological pattern for a subset only of shared business applications of economic and reputational importance. The solution will be improved and optimized over 2018 in order to lower the current RTO and RPO values, as required by the plan.
An Isolation Test has been planned for April 2018, which will involve the isolation of the Verona Bassona data center to test all the technological patterns implemented. The Resiliency initiative, triggered by analyses conducted under the DR program, will also continue through 2018.

On December 23, 2016, a restatement and amendment agreement was made by UBIS and VT-Services, which took effect as of January 1, 2017. The new agreement was the outcome of contractual renegotiations aimed at boosting value creation through a new transformation program (Second Transformation Program, "Gibson 2.0").

The main objectives of the renegotiation initiative were to:
- extend the term of the agreement by three years, until 2026;
- revise volumes to include effective consumption in the baseline;
- review/adjust the catalogue prices applicable for services provided under the agreement;
- outline a new transformation plan (Second Transformation Plan, "Gibson 2.0") to steer the uptake of new technology opportunities (such as cloud-enabling technologies) and further optimize IT infrastructure and network services;
- outline more efficient contract governance mechanisms via the implementation of new management tools and new metrics for measuring consumption, thereby enabling improvements in service levels.

Specifically, the Gibson 2.0 program covers 53 initiatives planned over 2017–2019, aimed at introducing new technologies able to improve the effectiveness and efficiency of the services offered by UBIS, at a lower cost. The production and economic-financial targets set for the year were all met. Activities are continuing to plan and are constantly monitored by the Program governance team. A benchmarking activity was conducted and completed in 2017 in relation to third year service costs (Sept. 2015–Aug. 2016) for the Open System and Storage Open System towers. The outcomes showed that the contractual fee is 2.9% higher than the benchmark level, but nevertheless below the acceptable value set by contract at 4.5%.

Other Information

Disclosures on the management and coordination of the company

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

Dealings with Group legal entities

UniCredit Business Integrated Solutions S.C.p.A. provides services under outsourcing agreements to Group banks and legal entities. In turn, Group banks and legal entities provide UniCredit Business Integrated Solutions S.C.p.A. with various services, including:
- financial services such as credit facilities and loans;
- internal auditing services;
- property leasing services;
- various administrative services, including personnel administration services.

The Company has been part of the tax consolidation arrangement with the Parent Company UniCredit S.p.A. since 2004.

All transactions with Group legal entities are conducted at arm's length.
For more information, see the section "Related-party Transactions".

Treasury shares and parent company shares in portfolio

In accordance with Article 2428 of the Italian Civil Code, we report that the Company did not hold, in any way, treasury shares or Parent Company shares over the course of the year.

Research and development activities

Expenses incurred for research activities connected with projects for the creation of intangible assets are expensed in the income statement.
Expenses incurred for development activities connected with projects for the creation of intangible assets – specifically the development software applications – are capitalized under Intangible Assets if they meet the criteria of IAS 38.

Italian legislative decree 231/01 - Administrative liability of legal persons

UniCredit Business Integrated Solutions S.C.p.A. has adopted an organizational model and decision-making protocols designed to prevent the criminal offences contemplated by the law in question. Those protocols set forth the rules to be observed in carrying out activities at risk. Integrating the protocols is the UniCredit Group Integrity Charter, which promotes the sound, transparent, and proper management of the Company, satisfying the requirements of Legislative Decree 231/2001. In addition, a Supervisory Body has been set up with a collegial structure, tasked with updating the protocols and monitoring their compliance.

Other information

Significant events in 2017 included the publication, on September 21, 2017, of three rulings handed down by the Court of Justice of the European Union, which provide a restrictive interpretation of Article 132 (1)(f) of the VAT Directive (Council Directive 112/2006/EC). The interpretation of the court effectively excludes from the scope of VAT exemptions services provided by certain consortiums, including those with members operating in the banking services sector, which today expressly benefit from such exemptions under Italian law and the laws of other European Union Member States. Nevertheless, in the rulings the court specified that the interpretation provided cannot be used to deny exemptions applied to date, especially where national law grants such exemptions.

Finally, we relate that in early 2018 the European Commission announced its intention to open a consultation process with the governments of Member States to discuss the matter, given its broad-based relevance for the European Union. Until the completion of the consultation process, Member States were advised not to pursue any internal legislative action on VAT reform.

Subsequent events

On February 5, 2018, the Board of Directors approved the publication of the financial statements for 2017, compliant with IAS 10.
On January 20, 2018 a new service agreement was made with ES SSC S.p.A., as reported earlier. No events occurred which entail the restatement of the figures posted in the financial statements as at December 31, 2017.

Financial Position

Balance sheet analysis

(Amounts given in millions of €)

	12.31.2017	12.31.2016
NON CURRENT ASSETS	**1,738.0**	**1,633.5**
Property, plant and equipment	*178.8*	*195.6*
Intangible Assets	*1,295.1*	*1,116,0*
Financial Assets Availables for Sales	*0.0*	*0.0*
Equity Investment	*54.7*	*54.7*
Tax Assets Prepaid	*93.1*	*119.2*
Other Non Current Assets	*116.3*	*148.0*
CURRENT ASSETS	**1,013.8**	**1,378.6**
Left-over Stock	*0.1*	*0.1*
Trade Receivables	*390.3*	*361.8*
Current tax payables	*9.2*	*35.8*
Other current assets	*226.3*	*764.2*
Cash and equivalents	*387.9*	*216.7*
TOTAL ASSETS	**2,751.8**	**3,012.1**
EQUITY	**357.0**	**332.9**
Share capital	*237.5*	*237.5*
Legal Reserve	*6.4*	*6.3*
Valutation Reserve and other reserves	*104.6*	*86.5*
Profit (Loss) for the year	*8.5*	*2.6*
NON CURRENT LIABILITIES	**385.6**	**481.3**
Long-term borrowings	*0.0*	*0.0*
Deferred tax liabilities	*0.4*	*0.4*
Personnel funds	*116.2*	*161.7*
Provisions for risks and charges	*84.6*	*217.4*
Other non-current liabilities	*184.4*	*101.8*
CURRENT LIABILITIES	**2,009.2**	**2,197.9**
Short-term borrowings	*1,399.8*	*1,644.9*
Current tax liabilities	*28.2*	*40.4*
Trade payables	*358.1*	*389.7*
Other current liabilities	*223.1*	*122.9*
TOTAL LIABILITIES	**2,751.8**	**3,012.1**

The comparison between figures at 12/31/2017 and those at 12/31/2016 shows changes.

"Property, plant and equipment" (€178.8 million) dropped by €16.8 million. Depreciation expenses amounted to €58.3 million, whereas new purchases amounted to €41.5 million.

"Intangible assets" (€1,295.1 million) increased by €179.1 million. Amortization expenses amounted to €256.0 million, whereas new purchases amounted to €435.1 million.

"Equity investments" amounted to €54.7 million. In January 2017, the liquidation of the company Consorzio Se. Tel. Servizi Telematici was brought to term.

"Tax Assets Prepaid" fell by €26.1 million, driven mainly by lower IRES and IRAP tax credits. **"Other non-current assets"** fell by €31.7 million, almost exclusively due to the depreciation of costs for improvements to leased properties.

"Current tax payables" dropped by €364.8 million, driven mainly by lower "other current assets" (€537.9 million), as a result of the collection in early January of receivables due from SIA S.p.A for the sale of the entire capital stock of the company P4Cards S.r.l., and lower "current tax assets" (€26.6 million). Offset by higher "trade receivables" (€28.5 million) due, inter alia, from the parent company UniCredit S.p.A. for ICT services provided and rentals. Cash deposits on current accounts held with UniCredit S.p.A. and HVB were also higher (€171.2 million).

"Equity" rose in 2017 by €24.1 million, in part due to profit for the year totaling €8.5 million.

The decrease in the item **"non-current liabilities"** (€95.7 million) was mainly due to lower "Personnel funds" (€45.5 million) and lower "provisions for risks and charges" (€132.8 million), resulting mainly from the reclassification of provisions to "other non-current liabilities" for their use to fund staff leaving incentives. The item "other non-current liabilities" shows an increase of €82.6 million.

The drop in **"current liabilities"** (€188.7 million) was mainly driven by "Short-term borrowings" to the Parent Company, which fell by €245.1 million due to the lower drawdown of the loan granted by UniCredit and lower "trade payables" (€31.6 million) and "current tax liabilities" (€12.2 million), which were partially offset by the increase in "other current liabilities" (€100.2 million).

Earnings Results

(Amounts given in millions of €)

	12.31.2017	12.31.2016
REVENUES	**2,354.9**	**2,529.0**
NET INTEREST	2.5	0.6
DIVIDENDS AND OTHER INCOME FROM EQUITY INVESTMENTS	1.8	0.3
NET FEES AND COMMISSIONS	-1.8	-1.4
BALANCE OF OTHER OP. INCOME/EXPENSES	2,352.3	2,529.5
OPERATING EXPENSES	**-2,289.9**	**-2,800.8**
STAFF EXPENSES	**-493.6**	**-501.1**
- GROSS EXPENSES	*-563.4*	*-565.2*
- CAPITALIZED INTERNAL EXPENSES	*69.8*	*64.1*
OTHER ADMINISTRATIVE EXPENSES	**-1,548.9**	**-1,807.0**
OTHER DIRECT ADMINISTRATIVE EXPENSES	**-1,420.0**	**-1,638.4**
- GROSS EXPENSES	*-1,691.7*	*-1,901.3*
- CAPITALIZED EXTERNAL EXPENSES	*271.6*	*262.9*
OTHER INDIRECT ADMINISTRATIVE EXPENSES	**-128.9**	**-168.6**
EXPENSES RECOVERY	**84.4**	**87.5**
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES ON INTANGIBLE AND TANGIBLE ASSETS	**-331.8**	**-580.2**
GROSS OPERATING MARGIN	**65.0**	**-271.8**
NET INCOME FROM INVESTMENTS SALES	**0.0**	**445.7**
PROVISIONS FOR RISK AND CHARGES	**12.3**	**-53.2**
INTEGRATION COSTS	**-47.5**	**-135.3**
INCOME TAXES	**-21.4**	**17.1**
NET PROFIT FOR THE PERIOD	**8.5**	**2.6**

The company closed the year 2017 with a **Net profit for the period** of €8.5 million, showing an increase on the €5.9 million profit posted at December 31, 2016. **"Gross operating margin"** totaled €65.0 million.

The drop in **"revenues"** (-€174.1 million, -6.88%) was mainly driven by lower revenues for outsourcing services, rental income, and real estate services.

Lower **"Staff expenses"** (€7.5 million, -1.5%):
- lower "total costs" (-0.3%, €1.8 million) were mainly driven by lower costs for wages and salaries and higher capitalizations (+8.8%, €5.7 million) due to greater project activity.

Lower **"other administrative expenses"**, with direct costs down (-€218.4 million, -13.3%) mainly as a result instead the drop in costs for ICT services (-€199.7 million), lower lease costs (-€31.4 million), and lower indirect taxes and duties (-€8.0 million); instead capitalizations rose (+€8.7 million, +3.3%).

The item **"Expenses recovery"** (-€3.1 million, -3.5%) mainly refers to VV JV (€50.3 million), third-party clients (€15.4 million), and P4CARD (€6.1 million).

Lower **"Amortisation, depreciation and impairment losses on intangible and tangible assets"** (-€248.4 million, -42.8%) compared to the previous year, mainly due to write-downs and the decommissioning of assets no longer in use at the end of 2016. An additional €19 million of write-downs were recognized in 2017.

"Provisions for risks and charges" show a negative €12.3 million, consisting of:
- provisions allocated for planned expenses for the release of real estate subject to contractual commitments (€4.0 million), for the refurbishment of premises (€1.1 million), and for security deposits which cannot be recovered on lease agreements that have expired (0.5 million);
- releases of provisions that will not be used, totaling €18.9 million. The amount consists mainly of the release of €11.8 million of provisions allocated for termination fees for Accenture, €1.6 million of provisions allocated for tax audits by the Italian Revenue Agency, and €3.5 million of provisions allocated for VAT applicable to the Link project of our German branch.

"Integration costs" chiefly consisted of:
- an extraordinary transaction with ES SSC S.p.A. (€30 million);
- the early closure of the My Supply platform of the company I-Fiber (€1.8 million);
- the Youth Plan initiative (€14.2 million).

Proposals for the Shareholders' Meeting

Dear Shareholders,

we invite you to approve the Report on Operations, the Statement of Financial Position, the Income Statement and the Notes to the Financial Statements as at December 31, 2017 of UniCredit Business Integrated Solutions S.C.p.A.

The Income Statement for 2017 shows a net profit of €8,469,057; available profit therefore amounts to €8,469,057.

The Board of Directors proposes the following distribution of the net profit for the year:

Allocation of net profit

(Amounts given in units of €)

Profit for the year	8,469,057
to the statutory reserve, pursuant to Article 2430 of the Italian Civil Code (5% of net profit, up to 20% of the share capital)	423,453
the extraordinary reserve	8,045,604

To complete the information provided, shareholders' equity following the distribution of profit is shows in the table below:

Shareholders' equity after allocation

(Amounts given in units of €)

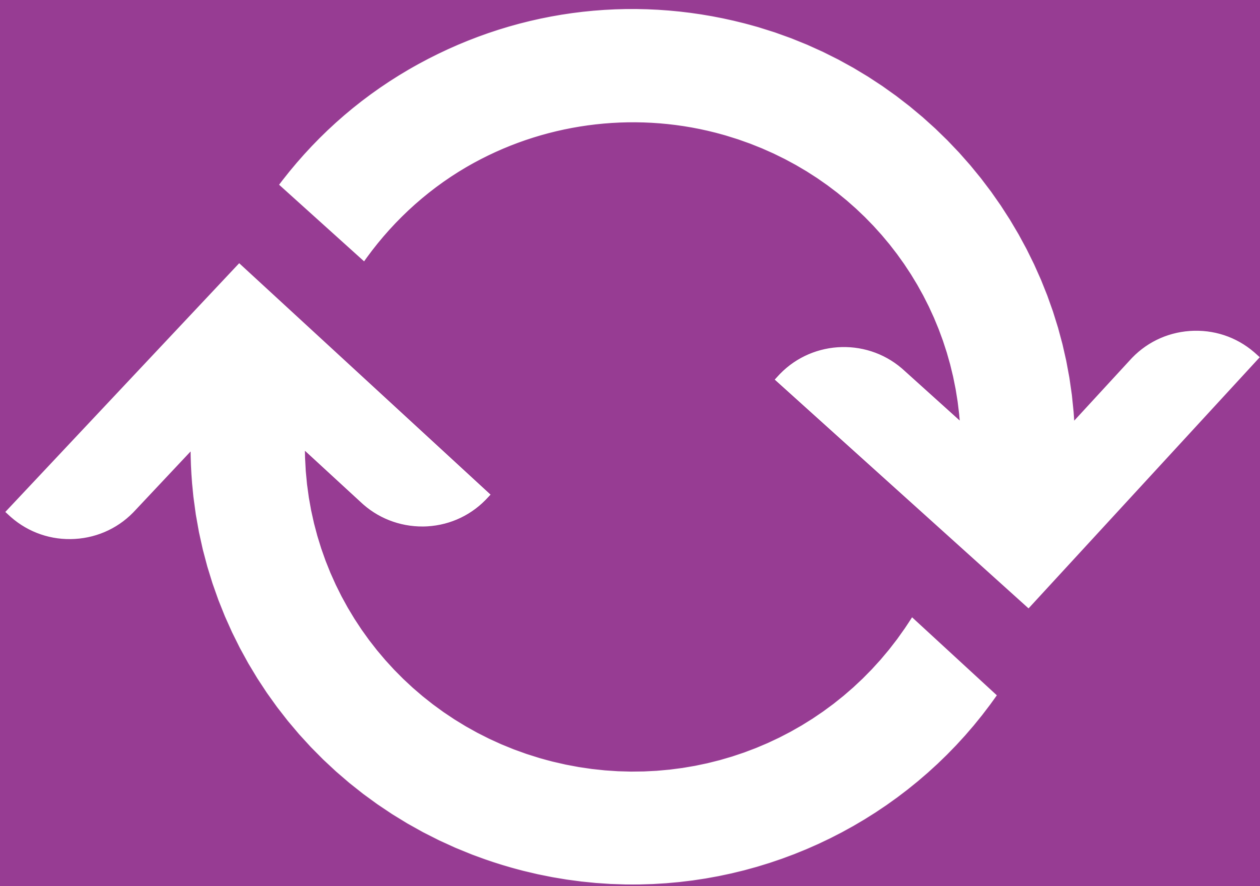
Share capital	237,523,160
Statutory reserve	6,870,236
Valuation reserve	-92,165,643
Other reserves	204,808,376
Total shareholders' equity	**357,036,129**

Milan, February 5, 2018

For the Board of Directors

The Chief Executive Officer

Transform operating model.



The transformation of our operating model is fully on track, including cost discipline and efficiency measures to reduce the cost income ratio. Our FTE and branch reductions are ahead of schedule – as we further improve on customer focus, services and products. The digital and IT transformation is fully on track, investments supporting the business transformation with digitalization as a key enabler.

Annual Financial Report

Financial Statements

Statement of Financial Position

Balance sheet - Assets

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATION
NON CURRENT ASSETS	**1,737,948,917**	**1,633,475,030**	**104,473,887**
Tangibles assets	**178,787,043**	**195,584,323**	**-16,797,280**
Lands and Buildings held for functional use	4,468,473	4,616,744	-148,271
Plants and Equipments	122,873,644	130,227,765	-7,354,121
Industrial and Commercial Equipments	968,826	1,859,866	-891,040
Other Assets	20,918,115	18,835,944	2,082,171
Assets in Progress and Advance Paymens	29,557,985	40,044,004	-10,486,019
Intangible Assets	**1,295,103,713**	**1,115,991,654**	**179,112,059**
Industrial Patent Rights and use of intellectual Works	893,903,497	781,545,011	112,358,486
Concessions, Licences, trademarks and similar	66,304,520	61,288,098	5,016,422
Assets in Progress and Advance Paymens	334,895,696	273,158,545	61,737,151
Available-for-sale assets	**1,000**	**1,000**	**0**
Equity Investment	**54,681,606**	**54,683,155**	**-1,549**
Majority Shareholdings	50,157,961	50,157,961	0
Shareholding in subsidiaries companies	4,523,645	4,525,194	-1,549
Prepaid tax payables	**93,096,639**	**119,179,235**	**-26,082,596**
Other non current activities	**116,278,916**	**148,035,663**	**-31,756,747**
CURRENT ASSETS	**1,013,893,399**	**1,378,652,967**	**-364,759,568**
Left-over Stock	**64,238**	**64,238**	**0**
Trade receivables	**390,301,259**	**361,776,290**	**28,524,969**
Trade receivables	160,202,209	190,778,181	-30,575,972
Receivables from subsidiaries	27,352,397	42,559,205	-15,206,808
Receivables from parent companies	203,653,794	138,357,188	65,296,606
Receivables svalutation provisions	-907,141	-9,918,284	9,011,143
Current tax payables	**9,231,998**	**35,870,379**	**-26,638,381**
Other Current Activities	**226,325,112**	**764,267,632**	**-537,942,520**
Cash and Equivalents	**387,970,792**	**216,674,428**	**171,296,364**
TOTAL ASSETS	**2,751,842,316**	**3,012,127,997**	**-260,285,681**

The change in IRES tax receivable versus December 31, 2016 was affected by the reclassification of the €45,763,338 IRES tax loss for 2016 to deferred tax assets.

Balance sheet - Liabilities

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATION
NET EQUITY	**357,036,129**	**332,921,446**	**24,114,683**
Share capital	**237,523,160**	**237,523,160**	**0**
Legal Reserve	**6,446,783**	**6,318,174**	**128,609**
Share Premium Reserve, Valuation Reserve, Other reserves	**104,597,129**	**86,507,930**	**18,089,199**
Profit (Loss) for the year	**8,469,057**	**2,572,182**	**5,896,875**
NON CURRENT LIABILITIES	**385,581,878**	**481,244,215**	**-95,662,337**
Long-term borrowings	**26,445**	**26,445**	**0**
Deferred tax liabilities	**350,755**	**350,755**	**0**
Personnel funds	**116,199,135**	**161,672,162**	**-45,473,027**
Employee severance indemnity	66,084,678	81,463,292	-15,378,614
Retirement provisions fund and similar obligations	50,114,457	80,208,870	-30,094,413
Provisions for risks and charges	**84,648,860**	**217,360,428**	**-132,711,568**
Other non-current liabilities	**184,356,683**	**101,834,425**	**82,522,258**
CURRENT LIABILITIES	**2,009,224,309**	**2,197,962,336**	**-188,738,027**
Current financial liabilities	**1,399,828,778**	**1,644,855,310**	**-245,026,532**
Current tax liabilities	**28,205,753**	**40,454,073**	**-12,248,320**
Trade payables	**358,062,589**	**389,698,844**	**-31,636,255**
Due to suppliers	331,120,313	338,129,466	-7,009,153
Due to subsidiaries	4,718,563	39,733,893	-35,015,330
Due to parent company	22,223,713	11,835,485	10,388,228
Other current liabilities	**223,127,189**	**122,954,109**	**100,173,080**
TOTAL LIABILITIES	**2,751,842,316**	**3,012,127,997**	**-260,285,681**

Income Statement

Profit & loss

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Revenues from sales and services	**2,416,027,409**	**2,520,022,234**	**-103,994,825**
Other revenues and incomes	**75,936,818**	**187,243,526**	**-111,306,708**
TOTAL VALUE OF PRODUCTION	**2,491,964,227**	**2,707,265,760**	**-215,301,533**
Costs for raw materials, subsidiary material, consumables and goods	**5,491,273**	**8,364,559**	**-2,873,286**
Costs for services	**1,146,614,714**	**1,338,194,916**	**-191,580,202**
Costs for use of third-party assets	**391,667,249**	**415,679,912**	**-24,012,663**
Personnel expenses	**509,204,637**	**619,292,810**	**-110,088,173**
Wages and salaries	385,328,928	389,247,974	-3,919,046
Social securities charges	102,275,019	99,980,656	2,294,363
Provisions for emploiment severance indemnities	1,252,487	1,438,495	-186,008
Accrual retirement provisions	12,502,008	11,301,227	1,200,781
Other personnel expenses	88,602,867	192,342,654	-103,739,787
Recovery of personnel expenses	-10,991,827	-11,125,164	133,337
Wages and salaries capitalized	-69,764,845	-63,893,032	-5,871,813
Amortisation and impoirment losses	**333,704,383**	**566,369,935**	**-232,665,552**
Amortization of tangible assets	58,310,174	60,501,947	-2,191,773
Amortization of intangible assets	255,966,413	286,598,235	-30,631,822
Impairment losses	19,427,796	219,269,753	-199,841,957
Provisions	**-12,377,092**	**52,849,992**	**-65,227,084**
Other operating charges	**65,014,600**	**133,868,258**	**-68,853,658**
Total cost of production	**2,439,319,764**	**3,134,620,382**	**-695,300,618**
GROSS OPERATING MARGIN	**52,644,463**	**-427,354,622**	**479,999,085**
Financial income	**2,604,967**	**1,410,413**	**1,194,554**
Financial expenses	**25,386,103**	**857,664**	**24,528,439**
Profit from cleared assets	**0**	**412,227,830**	**-412,227,830**
Profit (Loss) before taxes	**29,863,327**	**-14,574,043**	**44,437,370**
Taxes	**21,394,270**	**-17,146,225**	**38,540,495**
Current taxes	7,210,821	35,777,576	-28,566,755
Deferred tax asset	14,183,449	-52,839,448	67,022,897
Deferred tax liabilities	0	-84,353	84,353
Profit (loss) for the year	**8,469,057**	**2,572,182**	**5,896,875**

Comprehensive Income

(Amounts given in €)

ITEMS	12.31.2017	12.31.2016
Profit (loss) for the year	**8,469,057**	**2,572,182**
Other comprehensive income net of taxes not reversed to Income Statement		
Property, plant and equipment		
Intangible assets		
Defined benefit plans	16,537,353	-38,179,854
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	**16,537,353**	**-38,179,854**
Total comprehensive income	**25,006,410**	**-35,607,672**

Statement of Changes in Equity

Net equity variations

(Amounts given in €)

NET EQUITY VARIATIONS REPORT YEAR 2017	SHARE CAPITAL	LEGAL RESERVE	VALUATION RESERVE	OTHER RESERVES	PROFIT (LOSS) CURRENT OR PREVIOUS YEAR	TOTAL NET EQUITY
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			-22,866,600			-22,866,600
Merger UGBS Gmbh			-15,313,254	-4,865,653		-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**
Movements for the year 2017						
Recording of UniCredit Business Integrated Solutions S.c.p.A. 2016 net profit to "Legal Reserve" and to "Other reserves" as approuved by shareholders'meeting held on 04.10.2017		128,609		2,443,573	-2,572,182	0
Valuation reserve: net income (losses) on defined benefit plans			15,645,626			15,645,626
Merger UGBS Gmbh			891,727	-891,727		0
Profit (Loss) of the period					8,469,057	8,469,057
Values at 12.31.2017	**237,523,160**	**6,446,783**	**-92,165,643**	**196,762,772**	**8,469,057**	**357,036,129**

Cash Flow Statement - indirect method

(Amounts given in €)

CASH FLOW - INDIRECT	12.31.2017	12.31.2016
A - NET CASH FLOW GENERATED BY OPERATIONS	**877,267,087**	**-166,445,671**
Profit for the year	*8,469,057*	*2,572,182*
Amortization of property and equipment	*58,310,174*	*60,501,947*
Amortization of intangible assets	*255,966,413*	*286,598,235*
Income from cleared property and equipment depreciation	*0*	*6,629,890*
Income from cleared amortization of intangible assets	*0*	*7,495,988*
Variations in trade receivables	*-28,524,969*	*-182,100,859*
Variations in trade payables	*-31,636,255*	*-6,656,449*
Variations in personnel funds	*-45,473,027*	*37,631,033*
Variations in current / deferred fiscal assets and liabilities	*40,472,657*	*-85,145,371*
Variations in provisions for risk and charges	*-132,711,568*	*45,496,862*
Variations in other assets/liabilities	*752,394,605*	*-339,469,130*
B - NET CASH FLOW BY INVESTING ACTIVITIES	**-476,591,366**	**-176,596,944**
Investments in property and equipment	*-41,512,894*	*-49,240,136*
Investments in intangible assets	*-435,078,472*	*-129,083,188*
Changes in inventory	*0*	*1,726,380*
C - NET CASH FLOW GENERATED BY FINANCING ACTIVITIES	**-229,379,357**	**351,766,970**
Variations in share capital	*0*	*0*
Variations in reserves	*15,645,626*	*-43,045,507*
Variations in UniCredit S.p.A. Financing	*-245,026,532*	*394,806,976*
Variations in Equity Investments	*1,549*	*5,500*
CASH FLOW FOR THE YEAR (A+B+C)	**171,296,364**	**8,724,354**
TOTAL CASH FLOW	**171,296,364**	**8,724,354**
Cash and equivalents at the beginning of the year	**216,674,428**	**207,950,074**
Current accounts	*216,647,196*	*207,908,755*
Cash in hand	*27,232*	*41,319*
Cash and equivalents at the end of the year	**387,970,792**	**216,674,428**
Current accounts	*387,959,057*	*216,647,196*
Cash in hand	*11,735*	*27,232*

Notes to the Financial Statements

Accounting Policies

General Information

Compliance with IAS

These financial statements for the year ended December 31, 2017 have been prepared in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Union in Regulation (EC) No. 1606/2002 and in force at the end of the financial year, and in accordance with the provisions implementing Article 9 of Italian legislative decree 38 of February 28, 2005.

Preparation criteria

In accordance with the provisions of IAS 1, the fundamental principles and basic assumptions underlying the entire preparation of the financial statements are:

a. Going concern: assets, liabilities, and "off-balance sheet" transactions have been measured on the basis of their operational value, on the assumption that the Company will continue to operate as a going concern;
b. Accrual basis of accounting: costs and revenues have been recognized in the period they are incurred or earned in relation to the underlying services received or provided, regardless of when the relative cash transaction occurs;
c. Consistency of presentation: to ensure the comparability of the information and figures presented in the financial statements, the presentation and classification methods adopted have been applied consistently over time, except where their change is required by an international accounting standard or is designed to render the presentation of values more relevant and reliable;
d. Materiality and aggregation: each material class of items that are similar in nature or function has been presented separately in the statement of financial position and in the income statement. Items of a dissimilar nature or function have been presented separately, if they are material;
e. No offsetting: the no offsetting rule has been applied, unless required or permitted by international accounting standards or by an interpretation of those standards;
f. Comparative information: the financial statements report figures for the previous year, restated as necessary to ensure their comparability.

The financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in shareholders' equity, and a cash flow statement.

In the statement of financial position, the current/non-current distinction has been used to classify assets and liabilities. Current assets include cash and cash equivalents and consist of assets that will be realized, sold or consumed in the Company's normal operating cycle or within twelve months after the reporting period. Current liabilities are liabilities which are expected to be settled in the Company's normal operating cycle or within twelve months after the reporting period.

The income statement is classified according to the nature of costs, whereas the cash flow statement reports cash flows using the indirect method, with profit for the period adjusted for the effects of other non-cash components. Unless envisaged by an accounting standard and/or the relative interpretation, costs and revenue and assets and liabilities have not been offset, in order to lend greater clarity and relevance to the presentation of the financial statements.

The notes to the financial statements provide all the additional information considered necessary, even if not specifically required by law, to provide a true and fair view of the financial statements.

In accordance with the provisions of article 5 of Italian legislative decree 38/2005, the financial statements have been prepared using the euro as the presentation currency. All amounts stated in the financial statements and the notes are denominated in euro.

On February 5, 2018, the Board of Directors approved the publication of the financial statements for 2017, in accordance with IAS 10.

Use of estimates

The preparation of financial statements compliant with IFRS requires the use of estimates and assumptions that affect the asset and liability values and relative disclosures reported in the financial statements, as well as contingent assets and liabilities at the reporting date. Estimates and relative assumptions are based on past experience and other factors considered reasonable in the context. They are used when the carrying amounts of assets and liabilities cannot be readily inferred from other sources.

Estimates are used for the recognition of provisions for risks and charges, depreciation and amortization, impairment losses on assets, and in estimating the useful life of assets, employee benefits, taxes, and other provisions and allocations. Estimates and assumptions are reviewed on a periodic basis. The effects of changes in estimates are recognized in the income statement for the period, if the change affects that period only. If the change instead affects both the current period and future periods, the change is recognized in the period of the change and in future periods.

The extent of the risk involved in the use of estimates is chiefly tied to developments in the domestic and international socio-economic framework and in financial markets, which may, as a result, have an impact on trends in interest rates and prices, actuarial bases or, more generally, on the creditworthiness of counterparties.

Duration of the Company

As provided by the Articles of Association, the duration of the company is limited to 2050.

Main accounting items.

Tangible assets

The item includes the following assets held for operational use:
- land and buildings;
- plant and machinery;
- industrial and commercial equipment;
- other assets;
- work in progress and advances.

Tangible assets are recognized at their purchase cost plus any costs directly attributable to bringing the asset into operation and are stated net of accumulated depreciation and any impairment losses determined in the manner described below. The cost of tangible assets includes an initial estimate of the costs of dismantling and removing the item, if necessary and material. Ordinary maintenance costs are expensed in the income statement; costs to replace an entire asset or parts of the item and extraordinary maintenance costs are capitalized when they are likely to give rise to future economic benefits that can be measured.

Financial expenses connected with the purchase of tangible assets are recognized in the income statement in the period in which they are incurred, unless they can be directly attributed to an asset, justifying their capitalization.

Improvements to third-party assets recognized as “other non-current receivables” are carried at their purchase price less depreciation expense, measured on the basis of the lower of the residual useful life and the term of the lease agreement.

Tangible assets are derecognized from the balance sheet on disposal or when no future economic benefits are expected from their use.

Depreciation

Tangible assets are depreciated on a systematic basis over their useful life, which is reviewed at least annually, taking into consideration any changes in the intensity of use of the assets.

For assets that are purchased and brought into operation during the year, the depreciation period is calculated on the basis of the number of days effectively contributed to the production cycle.

Any changes in depreciation schedules are applied prospectively. If on the basis of events that have occurred there is an indication that an individual asset may be impaired, or if there is a significant drop in the market value of the asset or significant changes in technology or obsolescence, the residual value of the asset is tested by estimating the present value of estimated future cash flows and adjusted accordingly. If there is a reversal of an impairment loss, the new carrying amount of the asset may not exceed the carrying amount less all write-downs previously made.

Accounting Policies (Continued)

Intangible assets

Intangible assets with a finite useful life are recognized at their purchase cost when it is probable that there will be future economic benefits from the use of the asset and the relative cost can be reliably measured.

Their cost includes any directly attributable costs necessary to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization and any impairment losses determined in the manner described further on.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset, which is reviewed annually. Any changes in the amortization method are applied prospectively.

Amortization begins when the intangible asset is available for use.

Intangible assets may be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate future cash flows. Goodwill and intangible assets with an indefinite useful life are not amortized. Irrespective of whether there is any indication of impairment, these assets are tested for impairment at least annually by comparing their carrying amount with their recoverable amount.

Intangible assets mainly consist of software developed internally by the Company and software user licenses.

Impairment losses

Tangible and intangible assets are assessed at least once a year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of intangible assets that are not yet available for use is estimated at least annually. The recoverable amount is given by the higher of the fair value less costs of disposal and the value in use of the asset.

Impairment losses are recognized in the income statement when the carrying amount of an asset is higher than its recoverable amount. An impairment loss is reversed when there is an indication that the impairment has reversed or no longer exists or if there has been a change in the estimates used to determine the asset's recoverable amount.

Equity investments in controlled companies

Subsidiaries are companies that satisfy the definition and criteria for control provided by IAS 27, §13.

Investments in subsidiaries are accounted for using the cost method (IAS 27, §4). The investments are tested for impairment on a periodic basis and when events have occurred that may indicate their impairment.

Uni IT S.r.l. is a subsidiary over which the Company has the power to determine its financial and operating policy decisions. The investment is recognized at purchase cost plus losses covered, adjusted as necessary for any impairment losses. The investment in UniCredit Business Integrated Solution Austria GmbH, acquired by transfer from UniCredit Bank Austria AG, is recognized at cost, as identified in the transfer in kind agreement, less the surplus value identified by the appraisal of the transaction. The carrying amount of the investments coincides with the carrying amounts recognized in the financial statements of the transferor and is tested for impairment each year.

Equity investments in associates

Under the provisions of IAS 28, §2, associates are entities, including non-legal entities, over which the Company exercises significant influence.

Significant influence is presumed when the Company holds, directly or indirectly, 20% or more of the voting power of the entity, or when the requirements of IAS 28, §7–10 are satisfied.

Associates are carried at cost. Such investments are tested for impairment on a periodic basis and when events have occurred that may indicate their impairment.

Equity investments are derecognized when the contractual rights to the cash flows generated by the assets expire or upon disposal of the investment, when all the risks and rewards of ownership are substantially transferred.

Current and deferred taxes

Income taxes are calculated in accordance with domestic tax legislation and are recognized as an expense in the same period as the profits that originate them.

Income taxes are recognized in the income statement under “income taxes for the year”, except for taxes levied on transactions carried directly under shareholders’ equity, in which case the relative tax effect is also carried under shareholders’ equity. Income taxes include current tax and deferred tax assets and liabilities. Current tax is recognized on the basis of the estimated amount of tax that the Company expects to pay in application of the tax rates in force at the reporting date.

Deferred tax assets and liabilities are measured as the temporary difference between the carrying amount of the assets and liabilities recognized on the balance sheet and their tax base.

Assets for prepaid tax are recognized when their recovery is considered likely. Deferred taxes are recognized whenever the relative liability is likely to arise.

Deferred tax assets and liabilities recognized on the balance sheet are assessed regularly to take into account legislative reforms or changes in tax rates. Provisions for deferred taxes are allocated on the basis of the tax rates in force at the reporting date for tax periods in which temporary differences are expected to be realized or settled.

Before recognizing a deferred tax asset, an assessment is made of the probability that future taxable income will be available against which the deferred tax asset can be used. Both current and deferred tax assets and liabilities are offset when they relate to taxes levied by the same taxation authority and refer to the same tax period, and when there is a legally enforceable right to set off the amounts recognized.

Trade and other receivables

Trade receivables generally have a maturity of less than twelve months and are recognized at the fair value of the initial consideration, plus incremental costs for the transaction. After their initial recognition, trade receivables are measured at amortized cost, applying the effective interest method. The effective interest rate is calculated considering the specific solvency of debtors.

At each annual or interim reporting date, receivables are assessed to determine whether, on the basis of events occurring after their recognition, they may be impaired.

If in a subsequent reporting period impairment conditions are found to have improved, the impairment loss formerly recognized is adjusted in part or in full and the carrying amount of the receivable is restored. The increased carrying amount may not exceed the amount that would have been determined (according to "amortised cost" method) if no impairment loss had been recognized previously.

Trade and other payables

Payables are recognized at their nominal value. Trade payables originated by the acquisition of goods are recognized in the balance sheet when substantially all the significant risks, charges, and rewards of ownership are transferred. Payables for services are recognized when the services are rendered, which is when the service is completed. When a trade payable is initially recognized, the interest expense implicit in the purchase cost for the good or service is stated separately.

Foreign exchange transactions

All transactions are accounted for in euros. Transactions denominated in other currencies are translated into euros at the spot exchange rate at the transaction date.

Exchange differences arising from the settlement of transactions at a different exchange rate to the spot rate at the transaction date and unrealized exchange differences on monetary assets and liabilities to be received or paid in foreign currencies are recognized in the income statement.

Non-monetary assets and liabilities are recognized at historical cost and translated at the historical exchange rate.

Exchange differences arising between the transaction date and the relative settlement date for monetary items are recognized in the income statement in the reporting period in which they arise.

When gains or losses on non-monetary items are carried under shareholders’ equity, the relative exchange difference on the item is also recognized in equity.

When gains or losses are recognized in the income statement, the relative exchange difference is also recognized in the income statement.

Accounting Policies (Continued)

Provisions for employees

Provision for employee severance pay

The provision for employee severance pay is a post-employment defined benefit plan. As such, its recognition on the balance sheet involves an actuarial technique to estimate the benefits earned by employees, which are then discounted.

The measurement of these benefits is performed by an actuary external to the Group, using the Projected Unit Credit Method.

As a result of the reforms to supplementary retirement benefits introduced by Italian law decree 252 of 12/5/2005, employee severance pay provisions accrued up until December 31, 2006 continue to be held by the company and treated as a post-employment defined benefit plan. As such, they are measured using actuarial techniques based on simplified actuarial assumptions, which do not take into account estimates of future salary increases.

Employee severance provisions accruing after January 1, 2007 are either paid into a supplementary retirement fund, where designated by the employee, or withheld by the company and paid into an INPS treasury fund. These provisions are treated as a defined contribution plan.

IAS 19 classifies the provision for employee severance pay as a post-employment defined benefit plan.

Under IAS 19, the provision is projected into the future using an actuarial technique to estimate the benefit to be paid to each employee upon termination of employment. That calculation considers the benefits earned for service in the current and prior periods and the revaluations required by Article 2120 of the Italian Civil Code up until retirement.

Costs for employee severance pay benefits earned in the year are recognized in the income statement as “personnel expense – provision for employee severance pay” and include the interest cost on the liability in place at the date of the reforms and amounts earned in the year and paid into supplementary retirement funds or the INPS treasury fund.
Any differences between the carrying amount of the liability and the present value of the obligation at the end of the period are recognized as actuarial gains or losses in evaluation reserves under shareholders’ equity.

Retirement funds and similar obligations

A defined benefit plan guarantees employees a series of benefits upon termination of employment, determined by factors such as age, years of service, and compensation requirements.

The present value of that obligation is measured using the Projected Unit Credit Method.

The method distributes the cost of the benefit on a straight-line basis over the working life of the employee. Obligations are measured as the actualized value of average future benefits, pro-rated on the proportion of years of service rendered to length of service reached at the time the benefit will be paid.

The amount is carried as a defined benefit liability and includes:
- the present value of the defined benefit obligation at the reporting date;
- any actuarial gains/losses not recognized;
- any social security costs for past periods of service which have not been recognized;
- the fair value at the reporting date of plan assets, excluding those that will service the direct settlement of the obligations.

Actuarial gains and losses arising from defined benefit liabilities are recognized as a balancing entry in revaluation reserves carried under shareholders’ equity.

Long-term employment benefits

Long-term employment benefits, consisting of long-service awards paid at set milestones (25 and 35 years of service), are carried under “trade and other payables”. Measurement of the liability at the reporting date is performed by an actuary external to the Group.

For this kind of benefit, any actuarial gains or losses are recognized immediately in the income statement.

Provisions for risks and charges

Provisions for risks and charges are recognized for liabilities connected with obligations of a legal or constructive nature (contractual or other) arising as a result of a past event.

Provisions for risks and charges are recognized when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Where it is estimated that the obligations will arise beyond twelve months and the effect will be material, the obligations are discounted at a rate reflecting the time value of money and the specific risk of the liability recognized. Any change in the estimated provisions is recognized in the income statement in the period it occurs.

No provisions are allocated for contingent and unlikely liabilities, however a description of the nature of the liability is provided in the notes.

Other Information

Share-based payments

Equity-settled share-based payments made to employees in consideration of services rendered comprise:
- stock options (rights to purchase shares);
- performance shares (rights to receive shares upon achievement of set qualitative/quantitative performance conditions);
- restricted shares (stock subject to restriction clauses).

Given the difficulty of reliably measuring the fair value of the goods or services received in exchange for equity instruments of the Parent Company, reference is made to the fair value of the equities, as measured at the grant date.
The fair value of share-based payments is recognized under "personnel expense" in the income statement as a balancing-entry to "trade and other payables", and represents a liability towards the Parent Company.
For cash-settled share-based payments, the goods or services received and liabilities assumed are measured at the fair value of the latter and recognized as "trade and other payables". The fair value of the liability is remeasured at the end of each reporting period until it is settled, with changes in fair value carried as a personnel expense.

Information on fair value

The measurement of fair value and relative disclosures are governed by IFRS 13 Fair Value Measurement. Paragraph 9 of the standard 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."

For IFRS 13, fair value is a "market-based" measurement, requiring that the fair value of assets and liabilities be measured on the basis of the assumptions that would be made by market participants.

Fair value measurement also assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market.

Fair value measurements are categorized according to a hierarchy reflecting the different levels of significance of the inputs used in valuation techniques. The fair value hierarchy considers:
- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities (such as official stock market prices, the ask and bid prices of a number of market participants, drawn from major information providers, etc.);
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) in markets;
- Level 3 inputs - inputs not based on observable market data.

Financial instruments are classified as Level 2 or Level 3 in the absence of quoted prices in active markets.

Level 2
In the absence of quoted prices in active markets, fair value is measured using a comparable approach, with reference to financial instruments with a similar risk profile, or by using valuation techniques that use directly or indirectly observable market inputs (such as interest rate spreads and yield curves, volatility, etc.).

Accounting Policies (Continued)

Level 3
This level includes fair value estimates based on valuation techniques that use non-observable inputs (such as correlations, recovery ratios, etc.) or inputs provided by private counterparties (non-binding prices).
Level 3 inputs are also called mark-to-model inputs because they have to be inserted in more or less complex mathematical models developed internally by the entity before they can provide a measurement of fair value. The reliability of such measurements therefore depends closely, if not exclusively, on the type of model used and its validity.

Entities must necessarily use market prices (Level 1 inputs) whenever they are available, as official stock exchange listings in active markets provide the best estimate of fair value. Situations, however, may arise in which there is little, if any, market activity, as in the case of a financial crisis. In such cases, direct reference to market prices needs to be abandoned, either because no prices are available or they are not significant, and other valuation techniques adopted. Valuation models must, first of all, make use of observable market data (Level 2 inputs). Only when such inputs are not available may fair value be estimated using valuation techniques, which are highly discretionary in nature, as they are based on estimates and assumptions made by the estimator and are difficult to corroborate (Level 3 inputs).

Income Statement

Recognition of revenue
Revenue is recognized when it is realized or, in the case of the sale of goods or products, when it is probable that the associated future economic benefits will be received and those benefits can be measured with reliability, or in the case of the provision of services, when the services themselves are rendered.

Financial income and expenses
Financial income and financial expenses are recognized on an accrual basis by determining the interest accrued on the net carrying amount of the relative financial asset or financial liability, using the effective interest rate.
Financial income includes interest income earned on the company's cash and cash equivalents, interest income from the application of amortized cost, changes in the fair value through profit or loss of financial assets, and positive foreign exchange differences.
Financial charges include interest expense on loans, charges arising from the application of amortized cost, and negative foreign exchange differences.

Business risk management
The Company provides services to clients belonging to the UniCredit Group, for which market risk is substantially negligible. This consortium arrangement confirms the captive position of the Company.

As concerns foreign currency risk, the Company has operations in European countries outside the EMU, but does not hedge the relative transactions or the results of translating foreign currency items into euros, given that they are largely not material.

For the same reasons as above, the Company is not exposed to credit risk associated with the possibility of default by its counterparties, as those counterparties all belong to the UniCredit Group.

Similarly, the Company is not exposed to liquidity risk, or the risk of being unable to meet short-term financial demands, given its high levels of liquidity and capitalization.

As concerns the operational risks associated with the Company's business, see the relevant section of the Report on Operations.

Other aspects
The following accounting standards will be applied in the future.

IFRS 9

IFRS 9:
- introduces major changes, with respect to IAS 39, to the classification and measurement of receivables and debt instruments, based on an assessment of the business model for managing the financial instruments and their cash flow characteristics (SPPI criterion – Solely Payments of Principal and Interest);

- requires the designation of equity instruments at fair value through profit or loss, or at fair value through other comprehensive income.
  In the latter case, in contrast with IAS 39 as concerns financial assets available for sale, IFRS 9 eliminates the requirement to recognize impairment losses and, where a financial instrument is sold, gains or losses on disposal are reclassified to other shareholders' equity reserves and not carried in the income statement;

- introduces a new approach to impairment, based on an "expected credit loss"model, which replaces the "incurred loss" model currently adopted, and on the concept of "lifetime expected losses", which may entail the earlier recognition and a structural increase in value adjustments, especially to receivables;

- rewrites the hedge accounting rules for designating a hedging relationship and assessing whether it meets hedge effectiveness requirements, with the objective of ensuring that hedge accounting represents underlying risk management activities more closely.
  The standard allows entities to continue applying the hedge accounting requirements of IAS 39 to all of its hedging relationships until the IASB completes its macro-hedging project;

- modifies the accounting treatment of "own credit risk", i.e., changes in the fair value of liabilities designated at fair value arising from changes in the entity's own credit rating. The new standard requires the recognition of such value changes in a shareholders' equity reserve and not through profit or loss, as required by IAS 39, thereby eliminating a source of volatility in economic performance.

To ensure compliance with the requirements of the accounting standard, a Group project is underway to identify harmonized, Group-wide accounting and risk monitoring methods.

Analyses conducted by the Company show that the application of the new standard will have no impact on its accounts.

IFRS 15

Effective as of January 1, 2018, IFRS 15 was endorsed by the European Union in Regulation (EU) 2016/1905 of September 22, 2016 (published on October 29, 2016), and replaces the current set of international accounting standards and interpretations for the recognition of revenue.
The purpose of IFRS 15 is to improve the comparability of revenue reporting by companies operating in the same industry sector.
The objective of making financial statements more stakeholder-friendly is typical of IAS reporting and the Anglo-American culture that underpins it.
The new accounting standard applies to revenue from contracts with customers, while other specific standards address leases (IFRS 16), insurance contracts (IFRS 4), and financial transactions (IFRS 9-10-11).
The standard only applies to contracts with a fixed contract period during which termination penalties apply. As such, it does not apply if either of the two parties has the unilateral enforceable right to terminate without compensating the other party or paying a termination penalty.
Recognition of revenue under the standard is based on the determination of the transaction price that the entity expects to receive in exchange for transferring the promised goods or services, excluding amounts collected on behalf of third parties (such as taxes). The transaction price may include fixed amounts, variable amounts, or both.
The transaction price may vary because of discounts, refunds, performance bonuses, penalties, etc., or because the promised consideration is contingent on the occurrence or non-occurrence of certain events.
The new standard most typically applies to contracts that include variable amounts over time, tied to various factors (such as price concessions for annual order volumes). In that case, the entity is required to estimate the consideration, even if it is tied to two or more years.

Under IFRS 15, the recognition of revenue is a five-step process:

1. Identification of the contract(s) with the customer;
2. Identification of the different performance obligations (defined as each promise to transfer goods/services to the customer) included in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the different performance obligations;
5. Recognition of revenues on the basis of the satisfaction of each performance obligation.

The fundamental principle for the recognition of revenue in IFRS 15 is the transfer of control to the customer of the promised goods or services for the amount of consideration which an entity expects to receive from the customer.

Analyses conducted by the Company show that the application of the new standard will have no impact on its accounts.

Accounting Policies (Continued)

IFRS 16

Effective as of January 1, 2019, IFRS 16 replaces the current set of international accounting standards and interpretations applicable to leases, in particular IAS 17.

IFRS 16 introduces a new definition of lease and confirms the existing distinction between operating leases and finance leases for the accounting model to be applied by the lessor. For the lessee, the new standard requires the recognition, for all types of leases, of a right-of-use asset, representing the lessee's right to use an underlying asset for the lease term, and a lease liability for lease payments that are not yet paid.

The initial measurement of a right-of-use asset reflects the cash flows associated with the lease, including the present value of lease payments that are not yet paid, any initial direct costs associated with the lease, and any costs to be incurred in dismantling and removing the asset at the end of the lease term. Subsequently, the asset is measured applying either the cost model for property, plant, and equipment, i.e., at cost less accumulated depreciation and less any impairment losses, or the revaluation model envisaged by IAS 16, or alternatively the fair value model in IAS 40.

UniCredit Business Integrated Solutions S.C.p.A. will apply the new accounting standard. The Company is currently analyzing its accounting framework to prepare for the adoption of the standard by the starting date of January 1, 2019.

Notes to the Statement of Financial Position

Assets

Tangible and intangible assets

Tangible assets

Tangible assets totaled €178,787,043. The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Property, plant and equipment			
- owned	**178,787,043**	**195,584,323**	**-16,797,280**
land	1,651,319	1,651,319	0
buildings	2,817,154	2,965,425	-148,271
plant and machinery	122,873,644	130,227,765	-7,354,121
assets under construction - plant and machinery	29,403,585	35,471,822	-6,068,237
industrial and commercial equipment	968,826	1,859,866	-891,040
other assets	20,918,115	18,835,944	2,082,171
assets under construction - other assets	154,400	4,572,182	-4,417,782
Total	**178,787,043**	**195,584,323**	**-16,797,280**

"Land and buildings" referred to a property in Verona, located in the Frugose district, which was held under a finance lease until 2015, when the purchase option at the end of the lease was exercised.
The remaining useful life of the assets is:
- land – indefinite;
- buildings – 33 years.

"Plant and machinery", totaling €122,873,644, included:
- €16,377,844 of central hardware, which is generally depreciated over a period of 48 months starting from the month in which the asset is available for use, which is the first month after it is brought to the location and condition necessary to be capable of operating;
- €27,750,401 of generic plant systems, which are generally depreciated over a period of 60 months starting from the month in which the asset is available for use, which is the first month after it is brought to the location and condition necessary to be capable of operating;
- €78,745,399 of assets leased to third parties as part of the distributed ICT service, which are depreciated over a period between 36 and 60 months, according to the residual contract period starting from the month in which the asset is available for use by the client, which is the first month after it is brought to the location the difference depend on their estimated useful life, and for the residual contract period, except for ATMs, which are depreciated over a period of 96 months.

"Industrial and commercial equipment", totaling €968,826, and "other assets", totaling €20,918,115, are depreciated starting from the first month the asset is used, which is the first month after it is brought to the location and condition necessary to be capable of operating. The items consisted of:
- office equipment, which are depreciated over 72 months;
- electronic office equipment, which are depreciated over 36 months;
- motor vehicles, which are depreciated over 36 months;
- works of art, which have an indefinite useful life.

Notes to the Statement of Financial Position (Continued)

Changes during the year are shown in the table below.

(Amounts given in €)

	FINANCIAL STATEMENT AT 12.31.2017		
	LAND AND BUILDINGS	HARDWARE, PLANT AND FURNITURE	TOTAL
Gross amounts as at 1.1.2017	**6,569,346**	**851,557,868**	**858,127,214**
Total net impairment losses	**1,952,602**	**660,590,389**	**662,542,991**
Opening inventory	**4,616,744**	**190,967,579**	**195,584,323**
Increases	**0**	**44,073,025**	**44,073,025**
Purchases	**0**	**44,073,025**	**44,073,025**
- Business combinations	0	0	0
- Other purchases of assets	0	44,073,025	44,073,025
Athers variations	**0**	**0**	**0**
Decreases	**148,271**	**60,722,034**	**60,870,305**
Sales	**0**	**520,026**	**520,026**
- Business combinations	0	0	0
- Other sales of assets	0	520,026	520,026
Profit e losses negative fair value variations	**0**	**274,400**	**274,400**
Depreciation	**148,271**	**57,887,503**	**58,035,774**
Other variations	**0**	**2,040,105**	**2,040,105**
- Other	0	2,040,105	2,040,105
Closing inventory	**4,468,473**	**174,318,570**	**178,787,043**
Gross amounts as at 12.31.2017	**6,569,346**	**895,630,993**	**902,200,339**
Total net impairment losses	**2,100,873**	**721,312,423**	**723,413,296**

Intangible assets

Intangible assets amounted to €1,295,103,713. Their breakdown is shown below.

	12.31.2017	12.31.2016	VARIATIONS
Other internally generated intangible assets	**1,087,110,167**	**955,545,938**	**131,564,229**
Industrial patents and internally developed intellectual property rights	770,862,338	710,780,610	60,081,728
Assets under development: industrial patents and internally developed intellectual property rights	316,247,829	244,765,328	71,482,501
Other intangible assets	**207,993,546**	**160,445,716**	**47,547,830**
Industrial patents and intellectual property rights	123,041,159	70,764,401	52,276,758
Assets under development: industrial patents and intellectual property rights	3,327,702	8,234,507	-4,906,805
Concessions, licenses, trademarks and similar rights	66,304,520	61,288,098	5,016,422
Assets under development: concessions, licenses, trademarks and similar rights	15,320,165	20,158,709	-4,838,544
Total	**1,295,103,713**	**1,115,991,654**	**179,112,059**

Software is amortized on a monthly basis, starting from the first month the asset is available for use, which is the first month after it is in the location and condition necessary to be capable of operating, generally over a period of 60 months. For some types of distributed ICT software, the amortization period may vary between 36 months and 60 months, depending on the relative license agreement made.
"Patents and other industrial property rights" (€893,903,497) refers to unlimited user licenses to software suites purchased (€123,041,159) and software solutions developed by third parties to Company specifications or developed internally (€770,862,338).
"Copyrights, trademarks and licenses" (€66,304,520) refers to user licenses and application software purchased.
"Intangible assets under construction and advances" (€334,895,696) consists of all software not available for use at the reporting date, including unlimited user licenses to software suites purchased (€18,647,867) and software solutions developed by third parties to Company specifications or developed internally (€316,247,829).

The useful life was reviewed for a clearly defined set of licenses installed on VTS infrastructure to align it to the contractual term of the VTS agreement, resulting in lower amortization by €15,380,000.

Changes during the year are shown in the table below.

(Amounts given in €)

	FINANCIAL STATEMENT AS AT 12.31.2017		
	INTERNALLY GENERATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	TOTAL
Gross amount at 1.1.2017	**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**
Opening inventory	**955,545,938**	**160,445,715**	**1,115,991,654**
Increases	**354,302,030**	**104,351,290**	**458,653,320**
Purchases	**0**	**104,351,290**	**104,351,290**
- Business combinations	0	0	0
- Other purchases	0	104,351,290	104,351,290
Increases in internal intangible assets	**354,302,030**	**0**	**354,302,030**
Other changes	**0**	**0**	**0**
Decreases	**222,737,801**	**56,803,459**	**279,541,260**
Sales	**4,064,904**	**10,412**	**4,075,316**
- Business combinations	0	0	0
- Other purchases	4,064,904	10,412	4,075,316
Depreciation	**203,599,273**	**52,367,140**	**255,966,413**
Devaluations	**15,073,624**	**4,301,051**	**19,374,675**
Other changes	**0**	**124,856**	**124,856**
- Other	0	124,856	124,856
Net closing inventory	**1,087,110,167**	**207,993,546**	**1,295,103,713**
Gross closing inventory 12.31.2017	**2,359,237,057**	**1,452,363,784**	**3,811,600,841**
Total net impairment losses	**1,272,126,890**	**1,244,370,238**	**2,516,497,128**

Additions for the year (€458,653,320) mainly consisted of:

- software developed by third parties (€284,537,185) – the amount was capitalized and recognized as "costs for services" under "recognition of external costs";
- software developed internally (€69,764,845) – the amount was capitalized and recognized as "personnel expense" under "recognition of internal costs";
- the remainder consisted of user licenses and software developed by third parties to Company specifications.

Financial assets available for sale

The breakdown and changes during the year of financial assets available for sale are shown in the following tables.

(Amounts given in €)

	12.31.2017			12.31.2016		
AVAILABLE-FOR-SALE FINANCIAL ASETS	L1	L2	L3	L1	L2	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**
1.1 fair value	0		0	0		0
1.2 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**

Legenda:

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).

Notes to the Statement of Financial Position (Continued)

(Amounts given in €)

OTHER FINANCIAL ASSETS AVAILABLE FOR SALE	12.31.2017	12.31.2016	VARIATIONS
Consortium Abi lab	1,000	1,000	0
TOTAL	**1,000**	**1,000**	**0**

“Other financial assets available for sale” consisted of an equity interest in Consorzio ABI LAB (formerly ABI ENERGIA), Rome (registered office in Piazza del Gesù, 49), equal to 1.25% of the share capital and valued at €1,000. The percentage of the equity interest is not material.

Equity Investments

The breakdown of “equity investments” is shown in the table below.

(Amounts given in €)

EQUITY INVESTMENT	12.31.2017	12.31.2016	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
Total	**50,157,961**	**50,157,961**	**0**
In consortium			
Consorzio Se.Tel Servizi Telematici in liquidation	0	1,549	-1,549
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	**4,523,645**	**4,525,194**	**-1,549**
TOTAL	**54,681,606**	**54,683,155**	**-1,549**

On January 9, 2017, the winding up of Consorzio Se.tel Servizi Telematici, in liquidation, was completed.

Uni IT S.r.l.

(Amounts given in €)

	12.31.2017
Quota capital	1,000,000
Legal reserve	204,409
Other reserves	1,196,986
Profit of the year	237,653
TOTAL	**2,639,048**

The company Uni IT, Trento is a 51%-owned subsidiary, registered as part of the banking group as an ancillary services undertaking. The share capital of Uni IT is divided into 1,000,000 units of €1 each (51% owned by UniCredit Business Integrated Solutions S.C.p.A. – 49% owned by Tecnofin Trentina S.p.A.).

UniCredit Business Integrated Solutions Austria GmbH

	12.31.2017
Share capital	1,200,000
Reserves	56,771,971
Losses carried forward	6,761,350
Profit of the year	16,593,406
TOTAL	**81,326,727**

The company UniCredit Business Integrated Solutions Austria GmbH, Vienna, is a wholly-owned subsidiary, registered as part of the banking group as an ancillary services undertaking. 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 49% minority interest, valued at €58,800. Further 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 49% minority interest, valued at €1,033,000. Further information is provided in the Report on Operations.

Accenture Back Office Administration Services S.p.A.

(Amounts given in €)

	08.31.2017
Share capital	6,710,000
Legal reserve	97,500
Other reserves	23,066
Retained earnings	1,808,033
Profit of the year	69,360
TOTAL	**8,707,959**

Value Transformation Services S.p.A.

UniCredit Business Integrated Solutions S.C.p.A. holds a 49% minority interest, valued at €3,431,845. Further information is provided in the Report on Operations.

The Parent Company UniCredit S.p.A. is the holding that prepares the consolidated financial statements. As such, although UniCredit Business Integrated Solutions S.C.p.A. holds controlling interests, it has exercised the option provided by Article 27 of Italian legislative decree 127/91 of not preparing its own consolidated financial statements.

Deferred tax assets

The item totaled €93,096,639 at December 31, 2017 and shows taxes paid prior to the period in which they accrue. They include deferred tax assets recognized as balancing entries to the income statement and shareholders' equity and deferred tax assets relating to corporate transactions, as well as the IRES tax loss for the year (€12,949,500) and the residual IRES tax loss for 2016 (€39,018,448).
The change in temporary differences versus December 31, 2016 was due to the reclassification of the €45,763,338 IRES tax loss for 2016 from current tax assets.

The breakdown of deferred tax assets is reported below.

(Amounts given in €)

	12.31.2017			12.31.2016		
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 24%	TAX EFFECT IRAP 4,82%	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 24%	TAX EFFECT IRAP 4,82%
DEFERRED TAX ASSETS						
Due to personnel	115,722,075	27,773,298	0	248,300,767	59,592,184	0
- *In compensation of Net Equity*	*38,295,751*	*9,190,980*	*0*	*46,432,326*	*11,143,758*	*0*
- *In compensation of Profie e Losses*	*77,426,324*	*18,582,318*	*0*	*201,868,441*	*48,448,426*	*0*
Civil code depreciation exceeding tax rates for the purpose of IRES	42,515,388	10,203,693	0	42,367,092	10,168,102	0
Other variations IRES	12,461,379	2,990,731	0	14,496,354	3,479,125	0
IRES loss	216,533,117	51,967,948		190,680,575	45,763,338	
Other variations IRAP	3,339,606		160,969	3,661,529		176,486
TOTAL	**390,571,565**	**92,935,670**	**160,969**	**499,506,317**	**119,002,749**	**176,486**
TAX EFFECT ON DEFERRED TAX ASSETS			**93,096,639**			**119,179,235**

Other non current assets

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Guarantee deposits	4,413,930	4,997,182	-583,252
Improvements on third parties assets	111,864,986	125,806,180	-13,941,194
Other assets	0	17,232,301	-17,232,301
TOTAL	**116,278,916**	**148,035,663**	**-31,756,747**

"Guarantee deposits" (€4,413,930) consisted mainly of cash deposits paid in trust to ensure compensation for any damages under lease agreements taken out. "Improvements on third parties assets" essentially consisted of assets that did not meet the identifiability criteria required by IAS 38.
The item "other assets" was annulled in view of the planned termination of the partnership with ES Shared Service Center S.p.A. The total value of the option, amounting to €18,000,000, was written off in the income statement under "other financial expenses".

Notes to the Statement of Financial Position (Continued)

Current assets

Inventories

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Closing inventories - Hardware and Software	64,238	64,238	0
TOTAL	**64,238**	**64,238**	**0**

Trade and other receivables

The carrying amounts reported in the table below show the fair value of the assets, as derived from values "not quoted in active markets". As such, the assets are all Level 3 assets.

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Due from customers	160,202,209	190,778,181	-30,575,972
Due from subsidiaries	27,352,397	42,559,205	-15,206,808
Due from parents	203,653,794	138,357,188	65,296,606
Allowance for impairment	-907,141	-9,918,284	9,011,143
TOTAL	**390,301,259**	**361,776,290**	**28,524,969**

Due from customers

The item (€160,202,209) mainly consisted of amounts invoiced in 2016 for ICT services, sub-lease payments, and refunds of condominium and maintenance expenses, of which €5,819,941 had not been collected at December 31, 2017.

Due from subsidiaries

The item (€27,352,397) mainly consisted of receivables due from the subsidiary UniCredit Business Integrated Solutions Austria GmbH and referred entirely to amounts invoiced during the year for ICT services and ICT system development, which had not been collected at December 31, 2017.

Due from parents

The item (€203,653,794) consisted mainly of:
- amounts invoiced, totaling €128,442,071;
- amounts to be invoiced, totaling €58,311,971, for 2017 adjustments relating to outsourcing, back office, and real estate services;
- tax credits for IRAP and IRES tax refunds under the tax consolidation arrangement, totaling €16,899,752.

Allowance for impairment

The bad debt provision shows write-downs made to doubtful debts at December 31, 2017.
The reduction in the provision was mainly due to the collection by our German branch of €8.7 million of receivables from Ukrsotsbank.

The breakdown of "trade and other receivables" by geographical area is shown in the table below.

(Amounts given in €)

REFERENCE COUNTRY OR AREA	12.31.2017	12.31.2016
Italy	228,223,205	193,557,366
Czech Republic	6,922,411	6,816,701
Slovakia	377,603	87,326
Hungary	3,362,500	2,697,228
Great Britain	1,590,735	-424,203
Poland	469,833	120,538
Romania	2,456,119	1,138,491
Germany	144,095,694	158,756,269
Singapore	2,793,006	-537,342
New York	10,153	-436,084
TOTAL	**390,301,259**	**361,776,290**

Current tax assets

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
IRES	51,896	32,652,867	-32,600,971
IRAP	6,555,396	1,259,585	5,295,811
Other tax payables	2,624,706	1,957,927	666,779
TOTAL	**9,231,998**	**35,870,379**	**-26,638,381**

At December 31, 2017, the item totaled €9,231,998, consisting mainly of:

- IRAP corporate tax (€6,555,396), receivable for 2017;
- other tax receivables (€2,624,706), mostly relating to withholding tax credits on expatriate salaries (€1,095,371) and withholding tax on interest earned on bank accounts (€1,141,425).

The change in IRES tax receivable versus December 31, 2016 was affected by the reclassification of the €45,763,338 IRES tax loss for 2016 to deferred tax assets.

Other current assets

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Social Security Agency	137,278	81,416	55,862
Personnel receivables	2,020,989	1,963,757	57,232
Sundry Reveivables	1,060,232	500,706,794	-499,646,562
Accrued incomes and prepaid expenses	67,652,397	84,270,597	-16,618,200
Advance to suppliers			0
Advances for third-party services	*141,202,521*	*168,721,780*	*-27,519,259*
Credit note to be received	*8,264,203*	*5,308,158*	*2,956,045*
Others	5,987,492	3,215,130	2,772,362
TOTAL	**226,325,112**	**764,267,632**	**-537,942,520**

"Accrued incomes and prepaid expenses", totaling €67,652,397, consisted of deferred charges and shows amounts accruing to future periods paid in advance to suppliers for services.

The sharp decline in "Sundry reveivables" was driven by the collection at the start of 2017 of €494,900,000, as agreed by contract, for the sale of the entire capital stock of the company P4Cards Srl to SIA S.p.A.

"Advances for third-party services" totaled €141,202,521 and almost exclusively consisted of advances paid to third parties under framework agreements (Accenture S.p.A., BE Consulting S.p.A. etc.) or agreements with joint ventures (ABAS S.p.A., Value Transformation Services S.p.A., etc.).

Notes to the Statement of Financial Position (Continued)

Cash and cash equivalents

In accordance with IFRS 7, the carrying amounts reported in the table below show the fair value of the assets, as derived from values “not quoted in active markets”. As such, the assets are all Level 3 assets.

Cash and cash equivalents

(Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2017 EQUIVALENT VALUE IN EURO	12.31.2016 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	114,257,690	0	114,257,690
c/c n. 4661823	EUR	25,842,726	3,560,541	22,282,185
c/c n. 30028960	EUR	384,266	315,614	68,652
c/c n. 5194635	EUR	0	102,728	-102,728
c/c n. 500092831	EUR	63,290	23,402	39,888
c/c n. 5290339	EUR	132,067,154	107,273,702	24,793,452
c/c n. 30062073	EUR	31,971	32,088	-116
c/c n. 30023431	EUR	13,536,907	10,132,600	3,404,307
c/c n. 500070498	EUR	289,611	342,809	-53,197
c/c n. 103793721	EUR	44,581	62,047	-17,466
c/c n. 101699664	EUR	957,919	657,682	300,238
In the name of UBIS (*) - UBIS SA Oddzial W Polsce - Lodz				
with Bank Pekao S.A.				
c/c n. 43485939	PLN	561,672	199,370	362,302
c/c n. 21996082	EUR	211,014	1,047,151	-836,137
Short term Deposit	EUR	88,000	88,000	0
In the name of UBIS (*) - UBIS S.C.p.A. organizacni slozka - Praha				
with UniCredit Bank				
c/c n. 804685009	CZK	275,694	698,572	-422,878
c/c n. 804685017	EUR	672,247	214,242	458,006
In the name of UBIS (*) - UBIS S.C.p.A. Zweigniederlassung Deutschland - Munchen				
with UniCredit Bank AG				
c/c n. 47263557	EUR	69,870,819	51,601,819	18,269,000
c/c n. 47307503 Fixed deposit	EUR	11,577	11,575	2
c/c n. 10011848 presso HVB TRUST	EUR	46,416	29,607	16,809
c/c n. 666526910 HVB TRUST	EUR	-46,416	601,030	-647,446
UniCredit Bank AG (HVB) 65202735 - new from April	EUR	1,640,930	15,108,982	-13,468,052
UniCredit Bank AG (HVB) TRUST c/c 15776235 - new from September	EUR	224,394	2,839,447	-2,615,053
UniCredit Bank AG (HVB) TRUST c/c 15435549 - new from July	EUR	7,929,093	0	7,929,093
In the name of UBIS (*) - UBIS S.C.p.A. - Sucursala Bucarest				
with UniCredit Tiriac Bank SA				
c/c n. 2303000	RON	2,237,631	2,186,206	51,425
c/c n. 2303001	EUR	449,969	459,179	-9,210
c/c n. 2303003	RON	3	4	-2
Debit card 2303026	RON	1,122	1,814	-692
In the of UBIS (*) - UBIS S.C.p.A. - Sucursala Iasi				
with UniCredit Tiriac Bank SA				
c/c n. 2303006	RON	12,071	2,163	9,908
c/c n. 2303007	EUR	50,849	11,084	39,766
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	1,162,627	1,917,578	-754,952
c/c n. 30036309670902	EUR	4,148,398	1,849,142	2,299,256
In the name of UBIS (*) - UBIS S.C.p.A. M agyarorszagi Fioktelepe - Budapest				
with UniCredit Bank Hungary Zrt.				
c/c n. 41060016	HUF	1,400,131	289,328	1,110,803
c/c n. 41060023	HUF	2,377	6,434	-4,057
UCI c/c 41060078 HUF A	HUF	105	0	105
UCI c/c 41060085 EUR - new from February	EUR	2,205,843	5,816,132	-3,610,289

Continued: Cash and cash equivalents (Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2017 EQUIVALENT VALUE IN EURO	12.31.2016 EQUIVALENT VALUE IN EURO	VARIATIONS EQUIVALENT VALUE IN EURO
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
with UniCredit SK				
c/c n. 8959165020	EUR	1,369,956	2,184,785	-814,829
Post current account	**EUR**	**702**	**746**	**-44**
CASH	**EUR**	**11,735**	**27,232**	**-15,497**
In the name of UBIS (*) - UBIS S.C.p.A. Singapore Branch				
with United Overseas Bank				
United Overseas Bank 4503035809	SGD	2,143,946	2,419,727	-275,781
United Overseas Bank 4513014761	SGD	40,819	31,510	9,309
In the name of UBIS (*) - UBIS S.C.p.A. New York Branch				
with UniCredit Bank AG				
UniCredit Bank 0960094301 USD	USD	3,705,662	4,528,357	-822,695
UniCredit Bank 0960094302 EUR - new from December	EUR	65,291	0	65,291
TOTAL		**387,970,792**	**216,674,428**	**171,296,364**

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

The HVB TRUST accounts Nos. 10011848 and 666526910 guarantee the assets servicing the “Direktzusage” German retirement plan against the risk of insolvency. As such, the available funds held in the accounts cannot be used for other purposes.

Notes to the Statement of Financial Position (Continued)

Liabilities

Shareholders' equity

The breakdown of shareholders' equity is shown below.
The share capital is made up of 237,523,160 ordinary shares with a par value of €1.00 each, for a total value of €237,523,160. The share capital is held by the shareholders listed below.

SHAREHOLDER	N. OF SHARES HELD
UNICREDIT SPA	237,523,020
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
CORSUSIO SIM SPA	10
UNICREDIT BANK AG	20
TOTAL	**237,523,160**

For the disclosures required by Article 2427 (22-septies) of the Italian Civil Code, see the Board of Directors' Report on Operations.

The classification of shareholders' equity is reported below, showing the availability and possible uses of reserves.

(Amounts given in €)

NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	DISTRIBUTABLE QUOTA	NON-DISTRIBUTABLE QUOTA	SUMMARY OF USESIN THE THREE PREVIOUS YEARS	
					FOR COVER AGAIST LOSS	FOR OTHER REASONS
SHARE CAPITAL	237,523,160				-	-
INCOME-RELATED RESERVES						
Legal Reserve	6,446,783	B	6,446,783		-	-
Valuation reserve	-92,165,643		-92,165,643			
Other reserves	196,762,772	A - B - C	196,762,772	-	-	-
Profit for the year	8,469,057		8,469,057	-	-	-
TOTAL	**357,036,129**		**119,512,969**	**-**	**-**	**-**

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

Shareholders' equity amounted to €357,036,129, compared to €332,921,446 in 2016. The breakdown is shown below.

	12.31.2017	12.31.2016
Share Capital	€ 237,523,160	€ 237,523,160
Legal reserve	€ 6,446,783	€ 6,318,174
Extraordinary reserve	€ 66,164,867	€ 63,721,294
Share Premium reserve	€ 52,814,823	€ 52,814,822
Other reserves	€ 77,783,082	€ 78,674,809
Valuation reserve for actuarial gains/losses fo prension plans	-€ 92,165,643	-€ 108,702,995
Net profit	€ 8,469,057	€ 2,572,182
	€ 357,036,129	**€ 332,921,446**

The "Valuation reserve for actuarial gain/losses for prension plans" shows the change in "provisions for employees" following the recognition of actuarial gains/losses in "retirement funds" and "employee severance pay provision". The change was due to the application as of January 1, 2013 of amendments to IAS 19 ("IAS 19R").

Non-current liabilities

Non-current loans payable

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Security deposit	26,445	26,445	0
TOTAL	**26,445**	**26,445**	**0**

In accordance with IFRS 7, the carrying amounts reported in the table above show the fair value of the liabilities, as derived from values "not quoted in active markets". As such, the liabilities are all Level 3 liabilities.

Deferred tax liabilities

The item (€350,755) shows taxes recognized in the income statement under the accrual principle, which will be paid in future periods.

The breakdown of deferred tax assets is shown below.

(Amounts given in €)

	12.31.2017			12.31.2016		
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT IRES 24%	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	1,214,172	291,401	0
Other variations IRAP	1,231,413	0	59,354	1,231,413	0	59,354
TOTAL	**2,445,585**	**291,401**	**59,354**	**2,445,585**	**291,401**	**59,354**
TAX EFFECT ON DEFERRED TAXES			**350,755**			**350,755**

Provisions for employees

Provision for employee severance pay

The breakdown and changes during the year in the provision for employee severance pay are shown below.

(Amounts given in €)

	EMPLOYEE SEVERANCE PAY
A.1. Opening balances	**81,463,292**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1.1.2017	**81,463,292**
B. Increases	**1,276,048**
B.1 Provisions for the year	*977,848*
B.2 Other increases	*298,200*
Adjustments for actuarial losses on post-employment benefits (IAS19R)	1,587
Business combinations	11,035
- internal	0
- outdoor	11,035
- mergers	0
- sales of individual contract (incoming)	285,577
- other increases	0
C. Decreases	**-16,654,661**
C.1 Payments	*-13,552,498*
- of which: payments severance indemnity to resigned staff	-13,023,154
- of which: advances of severance indemnity	-529,344
C.2 Other decreases	*-3,102,164*
- adjustments for actuarial gains on post-employment benefits (IAS19R)	-2,263,177
- other changes	-838,987
- sales of individual contract (outgoing)	-838,987
- other decreases	0
D. Closing at 12.31.2017	**66,084,678**

Notes to the Statement of Financial Position (Continued)

Severance indemnity: other information

(Amounts given in €)

	12.31.2017
Provision for the year	**977,848**
- Pension cost of current service	0
- Interest expense on defined denefit plan	977,848
- Gains and losses on curtailments and settlements	0
- Pension cost of past service	0
Actuarial (Gans) losses recognized in the revaluation services (OCI)	**(2,261,590)**

DESCRIPTION OF MAIN ACTUARIAL ASSUMPTIONS	TFR	FONDINO EX.BDS
Discount rate	1.45%	1.45%
Expected rate in salary increase	0%	2.60%
Future increases in pension obligations	0%	0%
Expected rate on inflation	1.40%	1.40%
Mortality assumption	0%	0%

Retirement fund and similar obligations for German branch employees

The fund is a defined benefit plan funded under a contractual trust arrangement by an external fund managed by independent trustees. As reported in the section "Accounting Policies", the obligations of defined benefit plans are measured using the Projected Unit Credit Method. For plans funded by financial assets, these are measured at their fair value at the reporting date. The difference between the present obligation and the related financial assets is carried as a liability ("retirement funds") in the statement of financial position. In addition to the carrying amounts shown on the balance sheet for the surplus obligation, statements are provided showing the change in the year in the financial assets and the present liability towards employees. The algebraic sum of those changes, excluding unrealized actuarial gains or losses, gives the surplus recognized.

(Amounts given in €)

	PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS
A.1 Opening balace	**80,208,870**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1.1.2017	**80,208,870**
B. Increases	**-10,899,512**
B.1 Provisions for the year	11,007,566
Pension cost current job preformances	11,007,566
B.2 Changes due to the passage of time	1,494,442
B.3 Changes due to discount rate	
B.4 Other	-23,401,520
- Adjustments for actuarial losses on defined benefit plans	-2,694,942
- Business combinations	197,515
- external	197,515
- internal	
- merger	
- Other changes	-20,904,093
- Exchange rate differences input (+)	122
- Exchange rate differences calculated (+)	
- Change in scope of consolidation (+)	
- Change in method and in % of consolidation (+)	
- Other changes (+)	-20,904,215
C. Decreases	**-19,194,901**
C.1 Use during the year	-2,428,709
- Benefits paid by the Fund use	-2,428,709
C.2 Changes due to discount rate	0
C.3 Other	-16,766,192
- Adjustments for actuarial losses on defined benefit plans	-16,475,287
- Business combinations	-289,973
- external	0
- internal	-289,973
- Other changes	-932
- Exchange rate differences on input (-)	-932
- Exchange rate differences calculated (-)	
- Change in scope of consolidation (-)	
- Change in method and in % of consolidation (-)	0
- Other changes (-)	0
D. Closing balance at 12.31.2017	**50,114,457**

ACTUARIAL ASSUMPTIONS	12.31.2017 VALID FOR THE PENSION PROVISION %	12.31.2016 VALID FOR THE PENSION PROVISION %
Discount rate	2.15%	1.90%
Expected rate of return from financial Plan assets	2.15%	1.90%
Rate of wage growth	2.01%	1.50%
Future increases in pension benefits	1.60%	1.50%
Expected inflation rate	-	-

Provisions for risks and charges

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Provisions for disputes with personnel	539,605	946,369	-406,764
Other provision for risks and charges	21,647,472	56,388,526	-34,741,054
Other personnel provisions	58,414,460	155,375,380	-96,960,920
Provisions for legal disputes	976,081	711,041	265,040
Provisions for fiscal controls	0	804,777	-804,777
Provisions for future expenses	3,071,242	3,134,335	-63,093
TOTAL	**84,648,860**	**217,360,428**	**-132,711,568**

Provisions for risks and charges amounted to €84,648,860. They consisted of provisions allocated by the Company for future liabilities, measured as best estimates, for:

- disputes with employees (€539,605) and litigation (€976,081);
- other provisions for risks and charges (€21,647,472), consisting mainly of:
  - provisions for planned expenses for properties managed by Real Estate, totaling €5,621,072;
  - residual tax provisions allocated in relation to the Inland Revenue Agency tax audit started in July 2015 and concluded in 2016, totaling €500,000;
  - provisions for MBO bonuses, totaling €12,421,767;
  - provisions allocated by our German branch, totaling €1,724,846;
- company restructuring plan expenses amounting to €58,414,460, consisting mainly of:
  - residual provisions allocated in December 2013 for the Company's Strategic Plan (€16,269,974);
  - residual provisions for the Italy 2016–19 and Germany redundancy plans (€24,021,635);
  - new provisions allocated in 2017 amounting to €18,122,851;
- other operational risks (€3,071,242).

Other non-current liabilities

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Liabilities for seniority bonuses	8,352,242	10,819,500	-2,467,258
Liabilities for leaving inventives	176,004,441	91,014,925	84,989,516
TOTAL	**184,356,683**	**101,834,425**	**82,522,258**

The item included provisions for employees in relation to voluntary redundancy incentives, as contemplated in the industrial plans agreed trade unions, and long-service awards paid after 25 and 35 years of service.

Notes to the Statement of Financial Position (Continued)

Current Liabilities

Current loans payable

(Amounts given in €)

		12.31.2017	12.31.2016	VARIATIONS
Short-term financing	UNICREDIT	1,399,828,778	1,599,944,000	-200,115,222
Others	UNICREDIT	0	44,911,310	-44,911,310
TOTAL		**1,399,828,778**	**1,644,855,310**	**-245,026,532**

"Short-term financing", totaling €1,400,000,000, consisted of the following loans:
€800 million, expiring 01/10/2018, at a fixed interest rate of -0.230%;
€600 million, expiring 01/25/2018, at a fixed interest rate of -0.230%.

The difference between the nominal amount of the loans (€1,400,000,000) and their carrying amount (€1,399,828,778) totaled €171,222, showing the negative interest matured at year end.

In accordance with IFRS 7, the carrying amounts reported in the table above show the fair value of the liabilities, as derived from values "not quoted in active markets". As such, the liabilities are all Level 3 liabilities.

Current tax liabilities

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Payables for income taxes of foreign Branches	772,352	12,612,578	-11,840,226
Payables for substitute tax on post-employment benefits revaluation	0	0	0
VAT payables	17,471,242	17,910,369	-439,127
Payables on revenues witholding tax for self-employment	40,812	15,053	25,759
Payables revenue witholding tax for employment	9,921,347	9,916,073	5,273
TOTAL	**28,205,753**	**40,454,073**	**-12,248,320**

At December 31, 2017, the item totaled €28,205,753, consisting mainly of:
- income tax payable by foreign branches, referring primarily to tax payable by our German branch to the German tax authority (€772,352);
- VAT payable (€17,471,242), showing the net result of VAT payable for €19,217,079 and VAT receivable for €1,745,837;
- withholding tax on employee salaries and contractor fees (€9,921,347).

Trade payables

The payables totaled €358,062,589. The breakdown is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Due to suppliers	331,120,313	338,129,466	-7,009,153
Due to subsidiaries	4,718,563	39,733,893	-35,015,330
Due to parents	22,223,713	11,835,485	10,388,228
TOTAL	**358,062,589**	**389,698,844**	**-31,636,255**

"Due to suppliers" (€358,062,589) consisted of amounts invoiced and payable to suppliers upon expiry of the relative payment terms. The main services received in relation to "payables to suppliers" were ICT services and system assistance, property maintenance work, surveillance and security services for premises, staff training, staff secondments, rentals of premises, electricity supply, and heating.
"Due to subsidiaries" referred to services provided under the Global Project and Global Services arrangements by the subsidiary UniCredit Business Integrated Solutions Austria GmbH.
"Due to parents" consisted mostly of invoices to be received for seconded personnel, payables for the equity-settled share-based payment of employee benefits, the rental of premises, and condominium expenses.
No payables were secured by company assets.

The breakdown of "trade payables" by geographical area is shown below.

(Amounts given in €)

REFERENCE COUNTRY OR AREA	12.31.2017	12.31.2016
Italy	271,354,235	299,049,354
Czech Republic	4,000,902	8,796,655
Slovakia	746,547	2,372,458
Hungary	5,538,004	5,911,927
Great Britain	6,477,880	9,606,401
Poland	436,171	437,348
Romania	662,742	685,304
Germany	64,735,104	60,821,620
Singapore	2,096,703	990,832
New York	2,014,301	1,026,945
TOTAL	**358,062,589**	**389,698,844**

Other current liabilities

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Payables due to personnel	35,041,918	40,333,948	-5,292,030
MBO	*18,795,489*	*22,883,518*	*-4,088,029*
VAP	*4,906,408*	*4,386,477*	*519,931*
Christmas extra	*35,833*	*18,627*	*17,206*
Vacations	*3,562,683*	*2,416,729*	*1,145,954*
Other personnel payables	*7,741,505*	*10,628,597*	*-2,887,092*
Contributive insurance and welfare	13,542,247	16,222,892	-2,680,645
Integrative insurance	551,442	-1,351,767	1,903,209
Accrued expenses	161,332,323	27,869,632	133,462,691
Others	12,659,259	39,879,404	-27,220,145
TOTAL	**223,127,189**	**122,954,109**	**100,173,080**

"Accrued expenses" (€161,332,323) consisted mainly of deferred income for amounts invoiced by our German branch to HVB for ICT services, not accruing to the year.
"Other" consisted primarily of €4,818,400 of termination fees for the early withdrawal from the company ES SSC S.p.A., €1,790,213 of health insurance payables, and €4,833,964 of credit notes to be issued.

Notes to the Income Statement

Revenues

Revenues from sales and services

The item refers to services provided by the Security, Tech, Procurement, Operations, and Real Estate Logistics business units.
The performance of revenues was shaped by the following drivers:

- lower revenues from outsourcing services, mainly due to lower revenues for projects and the recognition of 2017 adjustments to back-office, ICT, and real estate services;
- lower revenues from real estate services, connected with the Real Estate service line project for the rationalization of premises (branch closures, smart working etc.).

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Revenues for services outsourcing	**1,957,150,717**	**2,007,038,871**	**-49,888,154**
Revenues for basic services outsourcing	*1,905,495,656*	*1,938,070,696*	*-32,575,040*
Revenue from DICT	*32,747,106*	*40,201,950*	*-7,454,844*
Revenue Card Services	*573,444*	*873,371*	*-299,927*
Revenue from project	*18,334,511*	*27,892,854*	*-9,558,343*
Other revenues from sales	**3,757,520**	**9,065**	**3,748,455**
Other Income from sales	*3,757,520*	*9,065*	*3,748,455*
Rental Income	**278,571,335**	**307,272,398**	**-28,701,063**
Rental income from employees	*52,800*	*52,800*	*0*
Rental income from group companies	*278,518,535*	*307,219,598*	*-28,701,063*
Real Estate Services Income	**176,476,371**	**205,701,900**	**-29,225,529**
Real estate services income	*56,464,053*	*66,968,513*	*-10,504,460*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*37,074,998*	*44,919,342*	*-7,844,344*
RE serv.inc.-Rec.of charges related to strum.prem.	*25,750,137*	*27,994,631*	*-2,244,494*
RE serv.income-Recovery heating costs strum. Prem.	*57,187,183*	*65,819,414*	*-8,632,231*
Other income from services	**71,466**	**0**	**71,466**
Other income from services	*71,466*	*0*	*71,466*
TOTAL	**2,416,027,409**	**2,520,022,234**	**-103,994,825**

The breakdown of revenues from sales and services by country is shown below.

(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	**1,169,237,602**	**40,179,300**	**16,419,066**	**30,037,829**	**42,669,122**	**16,223,890**	**42,362,225**	**573,910,627**	**10,409,209**	**15,701,847**	**1,957,150,717**
Revenues for basic services outsourcing	*1,167,769,203*	*25,983,721*	*15,719,515*	*25,364,132*	*42,669,122*	*16,223,890*	*42,362,225*	*543,292,792*	*10,409,209*	*15,701,847*	*1,905,495,656*
Revenue from DICT	*894,955*	*2,398,217*	*0*	*0*	*0*	*0*	*0*	*29,453,934*	*0*	*0*	*32,747,106*
Revenue Card Services	*573,444*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*573,444*
Revenue from project	*0*	*11,797,362*	*699,551*	*4,673,697*	*0*	*0*	*0*	*1,163,901*	*0*	*0*	*18,334,511*
Other revenues from sales	**3,216,584**	**0**	**0**	**0**	**0**	**237,225**	**5,083**	**298,628**	**0**	**0**	**3,757,520**
Other Income from sales	*3,216,584*	*0*	*0*	*0*	*0*	*237,225*	*5,083*	*298,628*	*0*	*0*	*3,757,520*
Rental Income	**278,458,875**	**112,460**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**278,571,335**
Rental income from employees	*52,800*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*52,800*
Rental income from group companies	*278,406,075*	*112,460*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*278,518,535*
Real Estate Services Income	**176,448,270**	**28,101**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**176,476,371**
Real estate services income	*56,433,013*	*31,040*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*56,464,053*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*37,077,937*	*-2,939*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*37,074,998*
RE serv.inc.-Rec.of charges related to strum.prem.	*25,750,137*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*25,750,137*
RE serv.income-Recovery heating costs strum. Prem.	*57,187,183*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*57,187,183*
Other income from services	**71,466**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**71,466**
Other income from services	*71,466*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*71,466*
TOTAL	1,627,432,797	40,319,861	16,419,066	30,037,829	42,669,122	16,461,115	42,367,308	574,209,255	10,409,209	15,701,847	2,416,027,409

Other revenues and incomes

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Capital Gains from goods sales	**67,533**	**258,075**	**-190,542**
Capital Gain fixed assets sale	*67,533*	*258,075*	*-190,542*
Other Reimbursements	**82,039,638**	**89,687,209**	**-7,647,571**
Other reimbursements and recoveries	*79,903,911*	*87,398,730*	*-7,494,819*
Reimbursements training costs	*321,254*	*11,758*	*309,496*
Reimbursements for operating losses	*19,829*	*3,100*	*16,729*
Insurance recoveries	*-23,057*	*19,647*	*-42,704*
Reimbursements motor vehicle use	*1,147,614*	*1,162,722*	*-15,108*
Reimbursements from insurance	*234,609*	*1,046,501*	*-811,892*
Tax recovery	*435,478*	*44,751*	*390,727*
Other Incomes	**-6,170,353**	**97,298,242**	**-103,468,595**
Other operating income	*-11,406,771*	*95,227,975*	*-106,634,746*
Rounding	*4,844*	*5,441*	*-597*
Government Subsidy from Ministry of Education	*18,318*	*35,083*	*-16,765*
Foreign currency gains (loss)	*5,213,256*	*2,029,743*	*3,183,513*
TOTAL	**75,936,818**	**187,243,526**	**-111,306,708**

"Other revenues and incomes" mainly consisted of:

- "Other reimbursements and recoveries" from the joint ventures VT-Services S.p.A. (€50,293,618), ABAS S.p.A. (€318,763), and ES SSC S.p.A. (€2,402,093), and cost recoveries from other market clients (€15,376,708), P4 CARDS S.R.L. (€6,071,409), and DO BANK S.p.A. (€1,566,771);
- "Other incomes", showing a negative amount due to the recognition of a contingent liability for provisions allocated for the recovery of surplus risk provisions from UniCredit S.p.A., as reported in greater detail in the section "Other Provisions".

Costs

Costs for raw materials, consumables, and goods for resale

The item consisted primarily of purchases of miscellaneous raw materials. "Change in inventories" shows the change in credit card stocks for the provision of Card services.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Expenses for raw materials, subsidiaries materials and consumables	5,414,646	8,024,134	-2,609,488
Change in inventories	76,627	340,425	-263,798
TOTAL	**5,491,273**	**8,364,559**	**-2,873,286**

Notes to the Income Statement (Continued)

Costs for services

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Technical and professional advices	**16,697,612**	**20,901,368**	**-4,203,756**
Technical Advices	*284,612*	*243,955*	*40,657*
Professional services	*484,808*	*620,113*	*-135,305*
Property consultancy	*7,623*	*0*	*7,623*
Translations	*27,218*	*135,633*	*-108,415*
Costs of checking operations	*6,383,987*	*6,511,693*	*-127,706*
Independent auditors' reports	*753,768*	*901,318*	*-147,550*
Administrative Advices	*1,389,088*	*1,407,107*	*-18,019*
Labour consultancy	*11,022*	*11,649*	*-627*
Tax advices	*1,910,814*	*1,230,082*	*680,732*
Fees for mediation (Interim)	*78,384*	*70,998*	*7,386*
Management and strategic consulting	*3,396,697*	*7,530,525*	*-4,133,828*
Legal advices	*1,955,425*	*2,238,103*	*-282,678*
Notaries Servicies	*14,166*	*192*	*13,974*
Administrative services	**83,179,450**	**69,487,906**	**13,691,544**
Other administrative expenses	*10,737*	*4,356*	*6,381*
Admninistrative services and back office	*81,675,619*	*67,998,031*	*13,677,588*
External storage services	*249,079*	*226,353*	*22,726*
Cost for service personnel	*1,244,015*	*1,259,166*	*-15,151*
Informatic services	**483,312,266**	**682,983,002**	**-199,670,736**
Fixed price systems management assistance	**495,963,288**	**459,386,960**	**36,576,328**
External costs capitalization	**-284,537,185**	**-265,857,382**	**-18,679,803**
Insurance	**3,123,148**	**3,007,713**	**115,435**
Data Transmission	**5,297,322**	**4,904,488**	**392,834**
Infoprovider costs	**5,937,569**	**6,960,556**	**-1,022,987**
Local and Building Expenses	**139,959,323**	**141,008,657**	**-1,049,334**
Vigilance expenses	*27,980,149*	*26,794,786*	*1,185,363*
Security services	*3,040,137*	*4,201,209*	*-1,161,072*
Local charges for cleaning and waste disposal	*27,757,169*	*29,426,692*	*-1,669,523*
Contracts health hands	*982,450*	*993,145*	*-10,695*
Energy and power	*51,288,114*	*55,945,139*	*-4,657,025*
Utilities - Water	*2,400,249*	*2,295,854*	*104,395*
Heating expenses	*6,226,081*	*5,831,863*	*394,218*
Cost of building shopping cent. with VAT	*12,190,548*	*9,273,904*	*2,916,644*
Telephone	*8,094,426*	*6,246,065*	*1,848,361*
Representation expenses	**47,115**	**68,104**	**-20,989**
Transport and shipments	**714,099**	**772,452**	**-58,353**
Training expenses	**2,394,287**	**3,667,818**	**-1,273,531**
Hardware and software Maintenance	**109,383,574**	**116,864,402**	**-7,480,828**
Hardware and ICT plants Maintenance	*24,223,102*	*28,173,718*	*-3,950,616*
Software Maintenance	*85,160,472*	*88,690,684*	*-3,530,212*
Building Maintenance	**21,887,767**	**25,298,927**	**-3,411,160**
Forniture, machines and equipments maintenance	**13,100,126**	**13,663,061**	**-562,935**
Other maintenance	**123,430**	**95,970**	**27,460**
Logistic services	**1,574,822**	**1,109,928**	**464,894**
Real estate services	**4,335,885**	**4,396,027**	**-60,142**
Travel Expenses	**5,912,811**	**7,296,999**	**-1,384,188**
Convention and internal comunication	**336,796**	**126,059**	**210,737**
Advertising expenses, marketng expenses and sponsorship	**320,652**	**543,906**	**-223,254**
Collector accounts	**30,774,208**	**32,330,937**	**-1,556,729**
Other expenses	**6,776,349**	**9,177,058**	**-2,400,709**
Postal expenses	*4,556,053*	*4,881,394*	*-325,341*
Drawback fees for Ticket Services	*316*	*2,404,813*	*-2,404,497*
Other expenses	*2,219,980*	*1,890,851*	*329,129*
TOTAL	**1,146,614,714**	**1,338,194,916**	**-191,580,202**

The table above shows a decline in costs compared to the previous year of €191,580,202. The drop was driven by the following expenditure areas:

- ICT services fell by €199,670,736: the decrease was due to the renegotiation in 2016 of service agreements with the company VTS S.p.A., which resulted in the derecognition of receivables for advances to suppliers and the recognition of a cost of €238,485,339;
- System assistance: the higher figure (€36,576,328) was mainly due to the greater assistance provided to Group entities;
- Capitalization of external costs: showing an increase of €18,679,803, the line item included costs allocated, on the basis of internal processes, to individual projects recognized as assets in the statement of financial position. The higher figure was due to the greater use of external personnel, partially offset by the lower use of internal personnel;
- Maintenance of premises, office furniture and fittings, machinery and equipment: the drop in these costs was directly tied to the change in the scope of recognition for revenues, connected with Real Estate activities for the rationalization and more efficient use of premises.

The breakdown of costs for services by country is shown below.

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Technical and professional advices	**13,739,537**	**233,018**	**81,082**	**145,432**	**146,422**	**42,794**	**140,722**	**838,533**	**643,927**	**686,144**	**16,697,612**
Technical Advices	*226,445*	*122*	*0*	*0*	*0*	*-124*	*58,170*	*0*	*0*	*0*	*284,612*
Professional services	*554,765*	*117*	*2,247*	*27,751*	*35,073*	*0*	*-71,455*	*-61,677*	*317*	*-2,331*	*484,808*
Property consultancy	*7,623*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*7,623*
Translations	*12,178*	*1,457*	*837*	*4,606*	*0*	*2,282*	*278*	*5,580*	*0*	*0*	*27,218*
Costs of checking operations	*5,818,218*	*0*	*0*	*0*	*0*	*0*	*0*	*533,076*	*32,693*	*0*	*6,383,987*
Independent auditors' reports	*526,989*	*22,180*	*0*	*0*	*0*	*0*	*27,155*	*139,329*	*38,115*	*0*	*753,768*
Administrative Advices	*37,410*	*160,296*	*61,970*	*100,981*	*0*	*13,829*	*33,705*	*131,525*	*487,446*	*361,926*	*1,389,088*
RE mediations	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Labour consultancy	*0*	*9,974*	*1,048*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*11,022*
Tax advices	*1,506,378*	*11,796*	*0*	*5,700*	*76,406*	*18,317*	*27,991*	*50,069*	*37,714*	*176,444*	*1,910,814*
Fees for mediation (Interim)	*0*	*26,216*	*12,231*	*2,639*	*0*	*0*	*37,298*	*0*	*0*	*0*	*78,384*
Management and strategic consulting	*3,396,697*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*3,396,697*
Legal advices	*1,640,260*	*860*	*2,749*	*3,755*	*34,943*	*8,490*	*27,580*	*39,040*	*47,642*	*150,105*	*1,955,425*
Notaries Servicies	*12,574*	*0*	*0*	*0*	*0*	*0*	*0*	*1,591*	*0*	*0*	*14,166*
Administrative services	**79,147,731**	**19,041**	**14,324**	**24,740**	**448,791**	**107,698**	**186,117**	**1,814,439**	**213,884**	**1,202,685**	**83,179,450**
Other administrative expenses	*6,289*	*0*	*3,621*	*0*	*0*	*0*	*827*	*0*	*0*	*0*	*10,737*
Admninistrative services and back office	*78,056,675*	*0*	*0*	*24,740*	*448,791*	*20,793*	*1,990*	*1,814,439*	*166,600*	*1,141,591*	*81,675,619*
Services area procurement	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
External storage services	*136,054*	*0*	*0*	*0*	*0*	*3,313*	*1,334*	*0*	*47,284*	*61,094*	*249,079*
External printing services	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Cost for service personnel	*948,713*	*19,041*	*10,703*	*0*	*0*	*83,592*	*181,966*	*0*	*0*	*0*	*1,244,015*
Outsourcing of Payroll Other Companies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Royalties for Intercompany Services Bank Austria	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Informatic services	**327,697,849**	**5,800,228**	**5,077,675**	**9,054,677**	**1,467,141**	**0**	**34,874**	**134,155,325**	**0**	**24,498**	**483,312,266**
External services ICT	*327,697,849*	*5,800,228*	*5,077,675*	*9,054,677*	*1,467,141*	*0*	*34,874*	*134,155,325*	*0*	*24,498*	*483,312,266*
Ticket Services	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
IT Service	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
TLQ fees paid to banks	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Installation and assistance sw Europos	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Fixed price systems management assistance	**365,473,812**	**10,821,153**	**2,286,812**	**7,409,478**	**10,589,156**	**101,649**	**699,157**	**97,486,151**	**718,736**	**377,185**	**495,963,288**
Systems management assistance	*365,473,812*	*10,821,153*	*2,286,812*	*7,409,478*	*10,589,156*	*101,649*	*699,157*	*97,486,151*	*718,736*	*377,185*	*495,963,288*
External costs capitalization	**-208,097,978**	**-892,357**	**-138,235**	**-50,663**	**-1,598,688**	**0**	**0**	**-73,594,448**	**-164,816**	**0**	**-284,537,185**
Systems management assistance capitalized	*-208,097,978*	*-892,357*	*-138,235*	*-50,663*	*-1,598,688*	*0*	*0*	*-73,594,448*	*-164,816*	*0*	*-284,537,185*
Insurance	**3,008,781**	**242**	**165**	**179**	**17,758**	**0**	**0**	**5,191**	**10,391**	**80,441**	**3,123,148**
Data Transmission	**2,486,316**	**16,010**	**1,100,679**	**58,665**	**381,457**	**0**	**11,547**	**944,083**	**63,804**	**234,760**	**5,297,322**
Infoprovider costs	**3,907,968**	**1,710,812**	**5,980**	**0**	**0**	**0**	**0**	**274,784**	**0**	**38,025**	**5,937,569**
Local and Building Expenses	**134,214,655**	**483,870**	**54,204**	**99,685**	**732,324**	**172,116**	**1,045,632**	**2,336,062**	**348,425**	**519,463**	**140,006,438**
Vigilance expenses	*27,955,419*	*0*	*0*	*0*	*0*	*0*	*19,875*	*0*	*0*	*4,855*	*27,980,149*
Security services	*935,884*	*638*	*779*	*492*	*0*	*0*	*-2,191*	*2,012,255*	*92,839*	*-559*	*3,040,137*
Reception expenses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Local charges for cleaning and waste disposal	*27,048,259*	*75,106*	*2,330*	*42,001*	*0*	*52,818*	*417,665*	*0*	*18,053*	*100,937*	*27,757,169*
Contracts health hands	*982,450*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*982,450*
Energy and power	*50,245,275*	*113,165*	*34,850*	*24,127*	*140,663*	*65,006*	*476,079*	*0*	*131,693*	*57,255*	*51,288,114*
Utilities - Water	*2,372,306*	*9,387*	*4,234*	*-12,677*	*0*	*4,847*	*22,151*	*0*	*0*	*0*	*2,400,249*
Heating expenses	*6,121,825*	*0*	*0*	*0*	*0*	*13,541*	*28,133*	*0*	*0*	*62,583*	*6,226,081*
Other charges rental premises by third guesthouses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Cost of building shopping cent. with VAT	*12,190,548*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*12,190,548*
Telephone	*6,343,088*	*277,640*	*11,219*	*45,742*	*591,661*	*35,904*	*75,430*	*313,509*	*105,840*	*294,392*	*8,094,426*
Representation expenses	*19,601*	*7,934*	*792*	*0*	*0*	*0*	*8,490*	*10,298*	*0*	*0*	*47,115*
Transport and shipments	**507,971**	**0**	**0**	**0**	**33**	**16,012**	**6,852**	**147,299**	**32,507**	**3,427**	**714,099**
Training expenses	**1,049,399**	**84,797**	**28,791**	**60,343**	**28,804**	**213,984**	**255,667**	**653,173**	**4,000**	**15,329**	**2,394,287**
Hardware and software Maintenance	**52,496,318**	**4,444,285**	**1,751,421**	**3,081,610**	**3,174,889**	**88,538**	**62,717**	**40,718,779**	**1,299,611**	**2,265,406**	**109,383,574**
Hardware and ICT plants Maintenance	*7,617,597*	*1,457,137*	*282,066*	*751,789*	*1,050,917*	*88,538*	*53,304*	*11,795,563*	*444,336*	*681,855*	*24,223,102*
Software Maintenance	*44,878,721*	*2,987,148*	*1,469,355*	*2,329,821*	*2,123,972*	*0*	*9,413*	*28,923,216*	*855,275*	*1,583,551*	*85,160,472*
Building Maintenance	**20,215,455**	**17,781**	**28,426**	**5,202**	**0**	**6,215**	**1,070,941**	**463,148**	**539**	**80,059**	**21,887,767**
Forniture, machines and equipments maintenance	**13,058,351**	**17,944**	**649**	**8,653**	**0**	**1,197**	**24,612**	**-13,223**	**0**	**1,942**	**13,100,126**
Other maintenance	**1,020**	**64**	**200**	**0**	**0**	**0**	**0**	**122,145**	**0**	**0**	**123,430**
Logistic services	**1,475,827**	**22,713**	**0**	**14,509**	**649**	**4,072**	**35,823**	**18,896**	**-744**	**3,078**	**1,574,822**
Auxiliary services	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Removals and porterage	*1,475,827*	*22,713*	*0*	*14,509*	*649*	*4,072*	*35,823*	*18,896*	*-744*	*3,078*	*1,574,822*
Removals and porterage	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Real estate services	**2,070,094**	**0**	**0**	**0**	**0**	**68,566**	**-1,046**	**2,191,898**	**6,372**	**0**	**4,335,885**
Travel Expenses	**2,922,646**	**70,330**	**19,067**	**113,864**	**269,021**	**341,644**	**1,171,226**	**998,695**	**6,396**	**-77**	**5,912,811**
Convention and internal comunication	**312,437**	**1,139**	**-570**	**831**	**0**	**3,371**	**17,217**	**7,392**	**-5,021**	**0**	**336,796**
Advertising expenses, marketng expenses and sponsorship	**192,732**	**0**	**0**	**3,000**	**1,147**	**924**	**1,575**	**116,309**	**4,964**	**0**	**320,652**
Collector accounts	**30,774,208**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**30,774,208**
Other expenses	**5,084,989**	**8,076**	**14,087**	**140,611**	**3,459**	**112,222**	**137,674**	**1,239,479**	**14,063**	**21,688**	**6,776,347**
Postal expenses	*4,527,704*	*1,228*	*1,271*	*1,574*	*3,262*	*1,015*	*-1,090*	*0*	*-598*	*21,688*	*4,556,053*
Drawback fees for Ticket Services	*316*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*316*
Other expenses	*556,969*	*6,848*	*12,816*	*139,037*	*197*	*111,207*	*138,764*	*1,239,479*	*14,661*	*0*	*2,219,978*
TOTAL	**851,740,118**	**22,859,146**	**10,324,757**	**20,170,816**	**15,662,363**	**1,281,002**	**4,901,307**	**210,924,110**	**3,197,038**	**5,554,053**	**1,146,614,714**

Notes to the Income Statement (Continued)

Costs for use of third-party assets

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Rental expenses for real estate	363,580,590	394,953,172	-31,372,582
Rental car	2,975,527	3,185,128	-209,601
Rental office equipment and software ICT	25,111,132	17,541,612	7,569,520
TOTAL	**391,667,249**	**415,679,912**	**-24,012,663**

"Premises rentals" consisted of rental expenses for premises sub-leased to Group entities for their operations.

The breakdown of costs for the use of third-party assets by country is shown below.

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAKIA	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Rental expenses for real estate	313,677,976	1,458,738	228,842	1,024,709	5,242,640	1,089,152	3,523,578	35,556,684	851,115	927,156	363,580,590
Rental car	1,347,089	11,815	5,034	27,592	0	0	0	1,583,997	0	0	2,975,527
Rental office equipment and software ICT	15,685,380	51,995	16,592	42,071	935,946	35,232	0	8,084,430	219,806	39,680	25,111,132
TOTAL	**330,710,445**	**1,522,548**	**250,468**	**1,094,372**	**6,178,586**	**1,124,384**	**3,523,578**	**45,225,111**	**1,070,921**	**966,836**	**391,667,249**

Personnel expense

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATION
Wages and salaries	**385,328,928**	**389,247,974**	**-3,919,046**
Social securities charges	**102,275,019**	**99,980,656**	**2,294,363**
Provisions for emploiment severance indemnities	**1,252,487**	**1,438,495**	**-186,008**
Accrual retirement provisions	**12,502,008**	**11,301,227**	**1,200,781**
Other personnel expenses	**88,602,867**	**192,342,654**	**-103,739,787**
External supplementary pension funds payments	*16,143,974*	*16,559,765*	*-415,791*
Share-based payments expenses	*620,542*	*359,278*	*261,264*
Incentives plans	*15,292,969*	*135,468,652*	*-120,175,683*
Seniority bonuses	*8,906*	*1,317*	*7,589*
Other employee benefits	*30,536,721*	*18,895,692*	*11,641,029*
Seconded employee costs	*8,250,347*	*7,691,034*	*559,313*
Job administer	*1,945,147*	*1,507,682*	*437,465*
Admin. Expenses	*241,790*	*209,790*	*32,000*
Statutory auditor fees	*124,634*	*101,453*	*23,181*
Meal subsidy	*5,791,072*	*6,354,937*	*-563,865*
Insurance policies for personnel	*8,711,660*	*7,144,828*	*1,566,832*
Other personnel expenses: other	*935,105*	*-1,951,773*	*2,886,878*
Recovery of personnel expenses	**-10,991,827**	**-11,125,164**	**133,337**
Seconded employees recovery expenses	*-8,674,364*	*-8,656,628*	*-17,736*
Admin. payable recovery	*-88,345*	*-62,435*	*-25,910*
Other personnel reimbursement	*-2,229,118*	*-2,406,101*	*176,983*
Recovery of capitalized costs	**-69,764,845**	**-63,893,032**	**-5,871,813**
TOTAL	**509,204,637**	**619,292,810**	**-110,088,173**

Lower "personnel expense" for the year (-€110,888,173) was mainly due to the allocation of higher provisions in 2016 for redundancy plans in Italy and Germany targeting management and staff (€135,468,652).

The breakdown of personnel expense by country is shown below.

(Amounts given in €)

	ITALY	CZECH REPUBLIC	SLOVAK REPUBLIC	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Wages and salaries	**191,820,869**	**6,225,427**	**2,136,083**	**5,906,879**	**8,638,625**	**10,301,451**	**22,706,437**	**130,568,784**	**2,618,652**	**4,405,721**	**385,328,928**
Social securities charges	**62,650,476**	**2,377,457**	**786,990**	**1,856,402**	**2,050,181**	**1,742,102**	**5,766,004**	**23,677,099**	**354,724**	**1,013,584**	**102,275,019**
Provisions for emploiment severance indemnities	**1,252,487**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,252,487**
Accrual retirement provisions	**0**	**0**	**0**	**0**	**0**	**17,018**	**0**	**12,484,990**	**0**	**0**	**12,502,008**
Other personnel expenses	**60,265,145**	**1,994,485**	**786,056**	**754,399**	**2,331,762**	**1,137,983**	**3,480,323**	**14,909,152**	**827,790**	**2,115,772**	**88,602,867**
External supplementary pension funds payments	*11,465,898*	*0*	*0*	*0*	*77,176*	*0*	*0*	*4,600,900*	*0*	*0*	*16,143,974*
Share-based payments expenses	*501,678*	*0*	*0*	*0*	*0*	*0*	*0*	*118,864*	*0*	*0*	*620,542*
Incentives plans	*17,678,353*	*3,453*	*14,788*	*0*	*7,103*	*0*	*0*	*-2,410,728*	*0*	*0*	*15,292,969*
Seniority bonuses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*8,906*	*0*	*8,906*
Other employee benefits	*15,039,220*	*542,226*	*137,806*	*402,888*	*1,439,499*	*632,022*	*976,834*	*10,293,982*	*378,118*	*694,126*	*30,536,721*
Seconded employee costs	*5,763,651*	*395,604*	*322,192*	*141,744*	*-131,301*	*-21,403*	*546,505*	*1,233,355*	*0*	*0*	*8,250,347*
Job administer	*0*	*680,218*	*198,265*	*12,720*	*303,934*	*0*	*362,583*	*58,389*	*246,638*	*82,400*	*1,945,147*
Admin. Expenses	*241,790*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*241,790*
Statutory auditor fees	*124,634*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*124,634*
Meal subsidy	*2,911,221*	*145,304*	*51,322*	*819*	*0*	*212,063*	*960,887*	*1,504,786*	*2,776*	*1,894*	*5,791,072*
Insurance policies for personnel	*6,273,773*	*36,562*	*0*	*0*	*544,304*	*32,193*	*218,225*	*209,174*	*97,453*	*1,299,976*	*8,711,660*
Other personnel expenses: other	*264,927*	*191,118*	*61,683*	*196,228*	*91,047*	*283,108*	*415,289*	*-699,570*	*93,899*	*37,376*	*935,105*
Recovery of personnel expenses	**-9,886,153**	**189,559**	**314,613**	**-94,140**	**-105,600**	**-56,721**	**-155,330**	**-1,198,055**	**0**	**0**	**-10,991,827**
Seconded employees recovery expenses	*-6,148,572*	*-354,477*	*311,476*	*-94,140*	*-196,192*	*-56,721*	*-701,707*	*-1,434,031*	*0*	*0*	*-8,674,364*
Admin. payable recovery	*-88,345*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-88,345*
Other personnel reimbursement	*-3,649,236*	*544,036*	*3,137*	*0*	*90,592*	*0*	*546,377*	*235,976*	*0*	*0*	*-2,229,118*
Recovery of capitalized costs	**-48,157,563**	**-140,915**	**-61,896**	**-124,513**	**-184,415**	**0**	**0**	**-21,071,220**	**-24,323**	**0**	**-69,764,845**
TOTAL	**257,945,261**	**10,646,013**	**3,961,846**	**8,299,027**	**12,730,553**	**13,141,833**	**31,797,434**	**159,370,750**	**3,776,843**	**7,535,077**	**509,204,637**

Amortization and depreciation expense

Amortization and depreciation expense for intangible and tangible assets amounted to €333,704,383 for 2017.

Lower “write-downs” was mainly due to the recognition in 2016 of impairment losses on software assets, following a decommissioning program. Higher “amortization of intangible assets” was connected with the revision of the useful life of a well defined set of software licenses installed on VTS infrastructure, to align it to the contractual term of the company agreement.

The breakdown is shown below.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Amortization of tangible assets	**58,310,174**	**60,501,947**	**-2,191,773**
Amortization of buildings held for functional use	*148,271*	*148,271*	*0*
Amortization of plants and equipments	*51,282,200*	*54,405,655*	*-3,123,455*
Amortization of industrial and commercial equipments	*891,040*	*944,886*	*-53,846*
Amortization other assets	*5,988,663*	*5,003,135*	*985,528*
Amortization of intangible assets	**255,966,413**	**286,598,235**	**-30,631,822**
Amortization of industrial patent right and use of intellectual works	*233,069,022*	*267,246,444*	*-34,177,422*
Amortization of concessions, licences, trademarks, and similar	*22,897,391*	*19,336,340*	*3,561,051*
Amortization of other intangible assets	*0*	*15,451*	*-15,451*
Impairment losses	**19,427,796**	**219,269,753**	**-199,841,957**
Adjustment Software	*19,374,675*	*217,773,049*	*-198,398,374*
Provision for bad debts	*53,121*	*328,627*	*-275,506*
Adjustment Plants and equipments	*0*	*1,168,077*	*-1,168,077*
TOTAL	**333,704,383**	**566,369,935**	**-232,665,552**

Notes to the Income Statement (Continued)

Other provisions

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Labour litigation charges	**-54,158**	**449,360**	**-503,518**
Other provisions	**-12,322,934**	**52,400,632**	**-64,723,566**
Provision for litigation	*419,468*	*338,751*	*80,717*
Provision for other risks and charges	*-12,742,402*	*52,061,881*	*-64,804,283*
TOTAL	**-12,377,092**	**52,849,992**	**-65,227,084**

The negative amount of -€12,742,402 million was driven by:
- provisions allocated for planned expenses for the release of real estate subject to contractual commitments (€4,048,245 million) and the refurbishment of premises (€1,068,000 million), for security deposits which cannot be recovered on lease agreements that have expired (€504,827 million), and other provisions totaling €174,693;
- provisions allocated by our German branch mainly in relation to the findings of an income tax audit on the former UGBS for the period 2015–2016, for a total of €355,941;
- releases of provisions that will not be used, totaling €18,894,108 million. The amount consisted mainly of the release of €11,809,968 of provisions allocated for termination fees for Accenture, €1,591,085 of provisions allocated for tax audits by the Italian Revenue Agency, and €3,516,330 of provisions allocated for VAT applicable to the Link project of our German branch.

Other operating expenses

The item consisted mostly of:
- non-refundable VAT paid by Italian headquarters for services provided by the subsidiary UniCredit Business Integrated Solutions GmbH (€34,603,302);
- registration tax on lease agreements, council taxes on urban waste, and negative exchange rate differences on foreign branches operating in currencies other than the euro.

Lower "sundry expenses" was mainly due to the recognition in 2016 of €50,048,340 of additional consumption expenses connected with services included in the baseline of the service agreement with VT-Services S.p.A.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Indeducible VAT	34,603,302	41,824,338	-7,221,036
Indirect taxes	6,712,550	14,664,218	-7,951,668
Registry tax	*3,178,345*	*3,811,166*	*-632,821*
Waste disposal tax	*1,160,876*	*1,525,301*	*-364,425*
Stamp duty	*36,576*	*31,181*	*5,395*
Other indirect taxes	*2,336,753*	*9,296,570*	*-6,959,817*
Amortization of third parties goods improvements	15,257,865	17,120,987	-1,863,122
Social initiatives	18,081	31,448	-13,367
Partecipation in associations	112,434	186,891	-74,457
Loss on exchange	5,923,016	2,388,787	3,534,229
Other expenses	2,387,352	57,651,589	-55,264,237
TOTAL	**65,014,600**	**133,868,258**	**-68,853,658**

Financial income

Financial income mainly shows interest income accrued on current accounts held by the Company.

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Dividends	1,830,000	300,000	1,530,000
Active interest on bank deposits	2,462	2,279	183
Active interests on guarantee depositis	4,387	59,926	-55,539
Other financial income	768,118	1,048,208	-280,090
TOTAL	**2,604,967**	**1,410,413**	**1,194,554**

"Dividends" included €300,000 of dividend income on the equity investment held in the joint venture V-TServices S.p.A. and €1,530,000 of dividend income from Uni IT Srl.
"Other financial income" shows the discounting of the Put option held on ESSC.

Financial expenses

"Financial expenses" shows interest expense paid to UniCredit S.p.A. on overdraft facilities on bank current accounts and loans payable. The negative figure was due to the cut in the interest rate applied to overdraft facilities.
Interest expense on loans referred to loans in place and/or expiring over the course of 2017. The average monthly liquidity requirement in 2017 amounted to €1,420,833,333, at an average interest rate of -0.362% (negative).

(Amounts given in €)

	12.31.2017	12.31.2016	VARIATIONS
Financial expenses on financing	-2,528,341	-596,779	-1,931,562
Financial expenses on deafult interest	27,315	55,163	-27,848
Financial expenses on bank deposits	581,273	426,779	154,494
Financial expenses on guarantees	1,177,275	972,770	204,505
Other financial expenses	18,008,415	-269	18,008,684
Financial assets losses on assignment	8,120,166	0	8,120,166
TOTAL	**25,386,103**	**857,664**	**24,528,439**

"Other financial expenses" included €18,000,000 relating to the non-exercise of the put option on the joint venture with ES SSC S.p.A.

Discontinued operations

In 2016, the item showed the amount of the sale of the equity investment in P4 CARDS to SIA S.p.A.

Income tax for the year

(Amounts given in €)

	IRES	IRAP	TOTAL
CURRENT TAXES	8,514,951	0	8,514,951
VARIATIONS IN CURRENT TAXES PREVIOUS YEARS	3,991,682	-5,295,811	-1,304,129
DEFERRED TAX INCOME	14,167,931	15,517	14,183,448
DEFERRED TAX EXPENSE	0	0	0
TOTAL 12.31.2017	**26,674,564**	**-5,280,294**	**21,394,270**

The IRES tax loss for the year of €12,949,500 was recognized as a deferred tax asset as it was not immediately recoverable.

"Current taxes" totaled €8,514,951 and shows current tax payable by foreign branches.

The "Variations in current taxes previous years" included a €2,650,612 refund of foreign tax credits.

Notes to the Income Statement (Continued)

Reconciliation of theoretical tax charge to actual tax charge

IRES 24%

(€ thousands)

Profit resulting from income statement before tax	**29,863**
Applicable theoretical rate	**24.0%**
Theoretical taxes	**-7,167**
Tax effects deriving from	
Non taxable revenue - permanent differences	*419*
Other taxable revenue - permanent differences	*0*
Non deductible fiscal costs - permanent differences	*-11,878*
Other deductible costs - permanent differences	*43*
Other differences - amendment to rate on deferred taxes	*0*
Other differences - amendment to rate on deferred taxes for previous financial years	*0*
Other differences	*-8,091*
Income taxes recognised in the income statement - A	**-26,674**

IRAP 4,82%

(€ thousands)

Difference between positive and negative components	**615,530**
Applicable theoretical rate	**4.82%**
Theoretical taxes	**-29,669**
Tax effects deriving from	
Non taxable revenue - permanent differences	*520*
Other taxable revenue - permanent differences	*-3,147*
Insignificant costs - permanent differences	*-818*
Other deductible costs - permanent differences	*35,700*
Other differences - amendment to rate on deferred taxes	*0*
Other differences - amendment to rate on deferred taxes for previous financial years	*0*
Other differences	*2,694*
Income taxes recognised in the statement - B	**5,280**
INCOME TAXES A + B	**-21,394**

Statement of Comprehensive Income

(Amounts given in €)

ITEMS	GROSS AMOUNT	INCOME TAX	NET AMOUNT
Profit (Loss) for the year	**29,863,327**	**-21,394,270**	**8,469,057**
Other comprehensive income net of taxes not reversed to Income Statement			
Property, plant and equipment			
Intangible assets			
Defined benefit plans	21,880,746	-5,343,393	16,537,353
Non-current assets held for disposal			
Portion of valuation reserves for equity investments valued at equity			
Other comprehensive income reversed to Income Statement			
Foreing investment hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Exchange rate differences:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Cash flow hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
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			
Non-current assets held for disposal			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
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			
Total other comprehensive income	**21,880,746**	**-5,343,393**	**16,537,353**
Total comprehensive income	**51,744,073**	**-26,737,663**	**25,006,410**

Other Information

Management and coordination of the Company

In accordance with the company law reforms introduced by Article 2497-bis (4)(5) regarding financial reporting and the disclosure of management and coordination powers, below we report the most recent condensed financial statements of UniCredit S.p.A., which exercises management and coordination powers over the Company.

UniCredit S.p.A. – Statement of Financial Position and Income Statement at December 31, 2016.

Reclassified statement of financial position as at december 31, 2016

(Amounts given in millions of €)

ASSETS	
Cash and cash equivalents	1,852
Financial trading assets	14,026
Loans and advances to banks	22,349
Loans and advances to customers	213,237
Financial investments	108,374
Hedges	8,160
Property and equipment	2,341
Goodwill	-
Other intangible assets	5
Tax assets	12,005
Non-current assets and disposal groups classified as held for sale groups in track of disposal	7,439
Other assets	4,400
TOTAL ASSETS	394,188

LIABILITIES AND EQUITY	
Deposit from banks	44,381
Customer deposits and securities	279,648
Financial trading liabilities	14,557
Financial liabilities valued at fair value	2,103
Hedges	8,920
Provision for risks and charges	3,407
Tax liabilities	162
Liabilities associated with disposal groups classified as assets held for sale	3
Other liabilities	8,310
Equity	32,697
- share capital and reserves	*43,718*
- reserves for valuation of assets available for sale and of cash-flow hedge	*439*
- loss for the year	*-11,460*
Total liabilities and total equity	**394,188**

Reclassified income statement - 2016

(Amounts given in millions of €)

Net interest	3,693
Dividends and other income from investments	1,173
Net commissions	3,574
Net gains on trading, hedges and fair value	360
Other expense	110
OPERATING INCOME	**8,910**
Personnel expense	-3,298
Other administrative expenses	-2,839
Recovery of expenses	586
Inpairment losses on property and equipment and intangible assets	-134
Operating costs	**-5,685**
OPERATING PROFIT	**3,225**
Net impairment of loans and provisions for guarantees	-10,379
NET OPERATING PROFIT	**-7,154**
Net provisions for risks and charges	-1,501
Integration charges	-1,163
Net losses on investments	-1,444
GROSS LOSS FROM CONT. OPERAT.	**-11,262**
Income taxes for the financial year	-198
Impairment of goodwill	-
LOSS FOR THE YEAR	**-11,460**

Related-party transactions

The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

An entity or person is a related party of a reporting entity if:

a. directly or indirectly, through one or more intermediaries:
   - it is a parent, subsidiary, or under the joint control of the reporting entity (or its parents, subsidiaries, or fellow subsidiaries);
   - it holds an ownership interest in the reporting entity such as to significantly influence the entity or it jointly controls the entity;

b. it is an associate of the reporting entity;

c. it is a joint venture of the reporting entity;

d. it is a key manager of the reporting entity or of its parent;

e. it is a close family member of a person as identified in point (a) or point (d);

f. it is a subsidiary or joint venture of, or is significantly influenced by a person as identified in point (d) or point (e) or that person directly or indirectly holds a significant share of voting rights;

g. it is a retirement fund for the employees of the reporting entity or any of its related parties.

Dealings with related parties, including subsidiaries, parents, entities controlled by them, and other companies, are shown in the table below.

(Amounts given in €)

	12.31.2017				
	CONTROLLING ENTITY	CONTROLLED ENTITIES		ENTITIES CONTROLLED BY CONTROLLER	OTHER COMPANIES
BALANCE SHEET	UNICREDIT	UNI IT	UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA G.m.B.H.	OTHER	OTHER RELATED PARTIES
ASSETS					
Equity investment	**0**	**510,000**	**49,647,961**	**1,000**	**4,523,645**
NON CURRENT ASSETS	**0**	**510,000**	**49,647,961**	**1,000**	**4,523,645**
Trade Receivables	198,125,922	4,345	27,348,052	185,889,510	126,643,974
Current tax assets	31,324	0	0	0	
Other Current Activities	4,969,237	13,207	0	0	0
Cash and Cash Equivalents	287,476,191	0	0	89,260,729	0
CURRENT ASSETS	**490,602,674**	**17,552**	**27,348,052**	**275,150,239**	**126,643,974**
TOTAL ASSETS	**490,602,674**	**527,552**	**76,996,013**	**275,151,239**	**131,167,619**
Short-term borrowings	-1,399,828,778	0	0	0	0
Trade payables	-23,862,185	-347,758	-4,426,747	-172,051,945	-17,502,691
Other current liabilities	-209,739	0	-79	0	0
CURRENT LIABILITIES	**-1,423,900,702**	**-347,758**	**-4,426,826**	**-172,051,945**	**-17,502,691**
TOTAL LIABILITIES	**-1,423,900,702**	**-347,758**	**-4,426,826**	**-172,051,945**	**-17,502,691**

Other Information (Continued)

The column "other companies" shows the value of dealings with Value Transformation Services S.p.A., Accenture Back Office and Administration Services S.p.A., and ES Shared Service Center S.p.A.

(Amounts given in €)

	12.31.2017				
	CONTROLLING ENTITY	CONTROLLED ENTITIES		ENTITIES CONTROLLED BY CONTROLLER	OTHER COMPANIES
PROFIT & LOSS	UNICREDIT	UNI IT	UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA G.m.B.H.	OTHER RELATED PARTIES	OTHER
Revenues from sales and services	1,482,244,687	161,742	70,227,562	831,292,352	53,725,255
Other revenues and incomes	-11,674,495	0	0	0	0
Total value of production	**1,470,570,192**	**161,742**	**70,227,561**	**831,292,352**	**53,725,255**
Costs for raw materials, subsidiary material, consumables and goods	-62	0	0	0	0
Costs for services	-8,969,051	-2,461,380	-31,270,166	-82,649,980	-553,648,048
Costs for use of third-party assets	-19,405,642	0	0	0	0
Personnel expenses	-1,519,584	386,467	2,260,058	-10,613,687	-21,561,440
Other operating charges	95,676	0	0	0	0
Total cost of production	**-29,798,663**	**-2,074,913**	**-29,010,108**	**-93,263,667**	**-575,209,488**
Financial income	1,841	1,530,000	0	624	300,000
Financial expenses	1,128,142	0	0	-260,669	0
Net financial incomes/expenses	**1,129,983**	**1,530,000**	**0**	**-260,045**	**300,000**

Disclosure of fees for annual audits and related services, pursuant to Article 149-duodecies of the CONSOB Issuers Rules

In accordance with the requirements of Article 149-duodecies of the CONSOB Issuers Rules, the table below reports fees paid to the external auditor Deloitte & Touche S.p.A. and other companies belonging to the same network for the following services:

1) Auditing services, including:
   - the auditing of the annual accounts of undertakings for the purposes of issuing a professional judgment;
   - the auditing of interim accounts.
2) Attestation services, consisting of engagements in which the auditor assesses and expresses a conclusion about the reliability of a written statement that is the responsibility of another entity. These include services connected with the auditing of regulatory accounts.
3) Other non-audit services, including ICT service engagements, which are required to be suitably detailed. Such services include, but are not limited to: costs for feasibility studies, functional analyses, and technical analyses for the development of code applications by third parties not belonging to the Deloitte network.

The fees shown in the table, accruing to 2017, are those payable by contract, inclusive of indexing, where applicable (excluding out-of-pockets expenses, any supervisory fees, and VAT). They represent the costs incurred by the Italian headquarters of UniCredit Business Integrated Solutions S.C.p.A. and by its foreign branches for the auditing of accounts.

(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.	484,209
Other services	DELOITTE & TOUCHE S.p.A.	UniCredit Business Integrated Solutions S.C.p.A.	30,000
Other non-auditing services	DELOITTE NETWORK	UniCredit Business Integrated Solutions S.C.p.A.	4,255,935

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

1.1 Outstanding instruments
Medium/long-term incentive plans in place for employees contemplate the use of:
- Equity-settled share-based payment transactions.

The category includes grants made under:
- **Stock option** plans assigned to select beneficiaries belonging to top and senior management and key Group personnel. The stock options offer the right to purchase UniCredit shares;
- **Group executive incentive systems**, which pay variable compensation to select Group executives within a period of five years. Beneficiaries are paid a cash and/or share bonus for the achievement of set performance conditions (which are not market conditions), as established by the relative plan rules;
- the **Group Executive Incentive System (bonus pool)**, which awards bonuses to select Group executives and key personnel identified on the basis of regulatory requirements. The bonus structure entails both immediate (following a performance review) and deferred payments of cash and UniCredit ordinary shares over a period of one to six years. The payment structure ensures alignment with the interests of shareholders and is subject to malus conditions (which apply when specific profit, equity, and liquidity objectives are not met at the Group level and/or country/division level) and clawback arrangements (as legally applicable) set forth in the plan rules. The malus and clawback arrangement are vesting conditions that are not market conditions;
- the **Employee Share Ownership Plan (ESOP – "Let's Share")**, which offers eligible Group employees the opportunity to purchase UniCredit ordinary shares and receive a grant of free shares or rights to receive free shares in proportion to the investment share purchased during the "enrollment period". The grant of free shares is subject to conditions set by the plan rules;
- the **Long-term Incentive Plan 2017–2019**, which offers Group executives and key personnel an incentive paid entirely in UniCredit ordinary shares. Payment is subject to a three-year deferral period and malus and clawback conditions, as legally applicable, as set forth in the plan rules. The plan envisages a three-year performance period aligned to the new UniCredit Strategic Plan. Access to the one-time bonus is based on the achievement of profit, liquidity, and risk position conditions and a set of performance conditions focused on Group targets and aligned with the Transform 2019 Plan.

In accordance with Bank of Italy provisions contained in the 7th update to Circular No. 285 of November 19, 2014 (concerning renumeration and incentive policies and practices), we report that severance packages for key executives ("golden parachute" agreements) envisage equity-settled share-based payments, involving deferred payment in UniCredit ordinary shares, not subject to vesting conditions.

1.2 Valuation model
1.2.1 Stock options
The economic value of stock options was estimated using the Hull-White model.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:
- the achievement of a market value equal to a multiple (M) of the value of the strike price;
- the exit rate of option-holders (E), after the end of the vesting period.

Economic effects and Net Equity will be accrued during the instruments' vesting period.
In 2017, no stock options were granted under new plans.

1.2.2 Group Executive Incentive System
The bonus opportunity is determined by the achievement of the qualitative and quantitative objectives described in the plan. Specifically, the achievement of objectives is expressed in variable percentage terms, ranging from 0% to 150% (vesting conditions that do not include market conditions).
That percentage, corrected by the application of a "group gate", or risk/sustainability factor, on first payment and multiplied by the bonus opportunity, determines the effective amount paid to the beneficiary.
The impacts on the balance sheet and income statement are spread over the duration of the plans.

1.2.3 Group Executive Incentive System (Bonus Pool)
The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The impacts on the balance sheet and income statement are spread over the duration of the plans.

Other Information (Continued)

Group Executive Incentive System "Bonus Pool 2016" - Shares
The plan is structured in clusters, each of which envisages three or four deferred share-based payments, depending on the time period, as set by the plan rules.

	ALLOCATED SHARES GROUP EXECUTIVE INCENTIVE SYSTEM-BONUS POOL 2016			
	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)
Date of allocation Economic Value Bonus Opportunity	09-feb-2016	09-feb-2016	09-feb-2016	09-feb-2016
Date number of Shares defined - Date of Board resolution	13-mar-2017	13-mar-2017	13-mar-2017	13-mar-2017
Vesting period start date	01-gen-2016	01-gen-2016	01-gen-2016	01-gen-2016
Vesting period expiry date	31-dic-2016	31-dic-2018	31-dic-2019	31-dic-2020
UniCredit Share Market Price [€]	13.057	13.057	13.057	13.057
Economic value of vesting conditions [€]	-0.231	-0.562	-0.993	-1.421
Unit value of Performance Shares at promise date [€] (*)	**12.826**	**12.495**	**12.064**	**11.636**

(*) The same unit values are used to measure the charges associated with the equity-settled share-based payment of "golden parachute" severance packages.

Group Executive Incentive System 2017 (Bonus Pool)
The new incentive system for 2017 is based on a bonus pool approach, in keeping with regulatory requirements and market practice. The approach ensures:
- the sustainability of the system, by tying it directly to company performance, and its alignment with material risk categories through the use of specific performance indicators that reflect the risk appetite framework;
- that bonuses are linked to the organizational structure by structuring the bonus pool by country/division, which is then reviewed at Group level;
- the allocation of bonuses to executives and other key personnel, identified on the basis of the criteria provided by European Banking Authority (EBA) Guidelines, and to other specific roles, in accordance with local regulatory requirements;
- a payment structure that is distributed over a period of six years, based on a mix of cash and shares, in line with the most recent regulatory requirements introduced by Directive 2013/36/EU (CRD IV).

All Profit and Loss and Net Equity effects related to the plan will be booked during the vesting period.

1.2.4 Employee Share Ownership Plan ("Let's Share" plan for 2017)
The following tables show the parameters applicable to free shares (or the rights to receive them) granted under the Employee Share Ownership Plan approved in 2016.

Free Share ESOP 2017 evaluation

	FREE SHARE
Grant date of Free Shares to Group employees	31-July-2017
Vesting period start date	31-July-2017
Vesting period expiry date	31-July-2018
Fair Value per unit of Free Shares [€]	**17.00**

The impact on the plan on equity and the income statement, connected with the granting of free shares, will be recognized during the vesting period (except for adjustments, in line with the provisions of the plan rules, which will be recognized at the first reporting date after the end of vesting period). The "Let's Share" plan for 2017 will be serviced by shares to be bought back from the market.

1.2.5 Long Term Incentive Plan 2017-2019
The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is structured in clusters based on the type of beneficiary, each of which envisages between one and four deferred share-based payments, depending on the time period, as set by the plan rules.

	ALLOCATED SHARES LONG TERM INCENTIVE PLAN 2017-2019			
	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)	INSTALLMENT (2023)
Date of allocation Economic Value Bonus Opportunity	09-Jan-2017	09-Jan-2017	09-Jan-2017	09-Jan-2017
Date number of Shares defined - Date of Board resolution	09-Jan-2017	09-Jan-2017	09-Jan-2017	09-Jan-2017
Vesting period start date	01-Jan-2017	01-Jan-2017	01-Jan-2017	01-Jan-2017
Vesting period expiry date	31-Dec-2019	31-Dec-2020	31-Dec-2021	31-Dec-2022
UniCredit Share Market Price [€]	13.816	13.816	13.816	13.816
Economic value of vesting conditions [€]	-0.563	-0.995	-1.425	-1.853
Unit value of Performance Shares at promise date [€]	**13.253**	**12.821**	**12.391**	**11.963**

B. QUANTITATIVE INFORMATION

2. Other information

Effects on Profit and Loss

All share-based payment transactions made after November 7, 2002 and with vesting periods that ended after January 1, 2005 fall within the scope of application of IFRS 2.

Financial Statement Presentation Related to Share Based Payments

(€ thousands)

	12.31.2017		12.31.2016	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
Costs	1,553		1,007	
- Related to Equity Settled Plans	*1,374*		*359*	
- Related to Cash Settled Plans	*179*		*648*	
- Amounts paid to UniCredit S.p.A. in relation to vested plans		1,292		3,730
- Amounts paid to employees in relation to Cash Settled plans		550		1,836
- Liability accrued towards UniCredit S.p.A.	4,488	-	4,414	-
- Liability accrued towards employees for Cash Settled plans	1,268	-	1,753	-

Personnel

LEVELS	ITALY	CZECH REPUBLIC	GERMANY	HUNGARY	POLAND	ROMANIA	SLOVAKIA	UNITED KINGDOM	SINGAPORE	NEW YORK	TOTAL
Executives	**15**										**15**
Full time	15										15
Middle managers	**322**	**5**	**139**	**9**	**4**	**2**	**1**	**9**			**491**
Full time	319	5	135	9	3	2	1	9			483
Part time	3		4		1						8
Remaining staff	**3,315**	**347**	**1,962**	**167**	**509**	**1,516**	**105**	**96**	**43**	**42**	**8,102**
Full time	2,967	308	684	165	494	1,456	103	93	43	42	6,355
Part time	348	39	1,278	2	15	60	2	3			1,747
TOTAL	**3,652**	**352**	**2,101**	**176**	**513**	**1,518**	**106**	**105**	**43**	**42**	**8,608**

Remuneration of directors and statutory auditors

Remuneration paid during the year to directors and statutory auditors is shown in the table below. The remuneration includes emoluments paid to specific members of the Board of Directors.

No loans or guarantees were provided to directors and statutory auditors.

(Amounts given in €)

REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS	12.31.2017
Directors' fees	241,790
Statutory auditors' fees	93,221
TOTAL	**335,011**

Maximise commercial bank value.

We continue to maximise commercial bank value, with the ongoing transformation resulting in higher productivity. Our activities in Western Europe are benefitting from the revamped network with new service models for retail and SME customers as well as a strong multichannel strategy. We have further strengthened our leadership positions in CEE and CIB, while keeping a strong focus on risk.

Reports and Resolutions

Board of Statutory Auditors' Report

BOARD OF STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS AT DECEMBER 31, 2017

PURSUANT TO ART. 2429(2), ITALIAN CIVIL CODE

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

Dear Shareholders, over the year ended December 31, 2017 we duly performed the supervisory activities tasked to us by law, while the statutory auditing of the Company was tasked to the company Deloitte&Touche S.p.A.

In performing our tasks, we were guided by the provisions of law and the code of conduct for boards of statutory auditors issued by the Italian National Council of Accountants and Auditors.

Compliance with law, the Articles of Association, and the principles of sound management

- The Board supervised compliance with law, with the Articles of Association, and with the principles of sound management.
- In 2017, the Board attended:
  - the ordinary shareholders' meeting held on April 10, 2017;
  - the ordinary and extraordinary shareholders' meeting held on October 31, 2017;
  - all ten meetings of the Board of Directors, held in accordance with the by-laws and legislative provisions that govern its operation.
- The Board acquired information from the Board of Directors on the general performance of Company operations and their outlook, and on significant transactions performed by the Company and its subsidiaries.
- In that regard, we can reasonably confirm that, on the basis of the information available, approved transactions with a significant impact on the income statement, balance sheet, and cash flows: (i) were compliant with law and with the Articles of Association, as they were found to be in line with the mutual purpose of the Company; (ii) did not appear manifestly

imprudent or risky, or show conflict of interest; (iii) did not appear to be such as to jeopardize the integrity of the share capital.

- The Board acquired information on a regular basis on the activities performed by the Company's Supervisory Body with regard to the organizational and procedural tasks required by Italian legislative decree 231/2001, and examined the annual report prepared by the Supervisory Body, whose overall findings were positive.

No reports were received by the Supervisory Body of conduct breaching the rules of the organizational model adopted by the Company.

In 2017, the Board of Statutory Auditors provided its opinion as per Article 2389(3) of the Italian Civil Code.

Adequacy of the organizational, administrative, and accounting framework

- The Board acquired information on and supervised, within the scope of its tasks, the organizational framework of the Company and its proper operation, which was found to be adequate in relation to the size of the Company and its business model, over the various stages of its development.

- The Board acquired information on and supervised, within the scope of its tasks, the adequacy and proper operation of the administrative framework and accounting system, and the reliability of the latter in providing a fair view of operations, with information obtained from function heads, the company tasked with the statutory auditing of accounts, and through the examination of company documentation; in this regard, the Board has no observations to report.

Dealings with the external auditor

- The Board engaged on a regular basis with the company Deloitte&Touche S.p.A., the company tasked with the statutory auditing of accounts.

- Periodic meetings were held with the external auditor for the reciprocal exchange of information on the outcomes of the checks and audits conducted in our respective areas of competence, in which no findings emerged worthy of report. In particular, the auditing and certification of the financial statements at December 31, 2017 did not produce any unusual findings or issues that would justify further investigation or disclosure in the letter to the Shareholders' Meeting.

Board of Statutory Auditors' Report (Continued)

- The audit report on the financial statements for 2017, dated March 19, 2018, states:

  "In our judgment, the annual financial statements provide a true and fair view of the equity and financial position of the Company at December 31, 2017 and of the performance and cash flows for the year ended at the reporting date, in compliance with the International Financial Reporting Standards endorsed by the European Union.

  "In our judgment, the Report on Operations is consistent with the financial statements of UniCredit Business Integrated Solutions S.C.p.A at December 31, 2017 and has been prepared in compliance with the provisions of law."

Internal control system – Compliance and Risk Management

- The Board assessed and supervised the adequacy and operation of the internal control system and the administrative framework and accounting system, and the reliability of the latter in providing a fair view of operations.
- The Board constantly supervised the audits conducted by the Regulatory Authority indirectly on the Company, in particular, the inspections conducted by the European Central Bank on UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG, which involved the Company only in so far as it is the main IT service provider to those banks.
- The Board attended the meetings held in 2017 of the Internal Controls and Risks Committee and inspected the "Status Report on the Internal Control System on Financial Reporting as per Law 262/05", the conclusion of which certifies that the administrative and accounting procedures adopted are adequate in relation to the business and are effectively applied.
- The Board met regularly with the head of the Risk Management function. The report on the activities performed by the Risk Management function is presented in the report on activities carried out in 2017. On the basis of the findings concerning the risks arising in the year, we report that, despite a slight increase in incidents, the

system proved resilient. The operational risk control system adopted by UBIS was judged to be "fully adequate" by Risk Management, according to the methodology adopted by the Parent, and "good" by Internal Audit. Monitoring, validation, reminder, and support activities for the closure of internal audits continued.

- The Board inspected the report on the activities performed by the Compliance function, which confirmed the achievement of the objectives set by the 2017 audit program and the absence of any critical issues in the management of compliance risk.

Annual Financial Report

The Board has examined the draft financial statements at December 31, 2017 prepared by the Board of Directors, consisting of the statement of financial position, the income statement,the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement (prepared applying the "indirect method"), and the notes, and accompanied by a Report on Operations, prepared in accordance with Article 2429 of the Italian Civil Code and approved in its final version at the Board of Directors' meeting held on February 5, 2018. The draft financial statements show a profit for the year of €8,469,057 and shareholders' equity of €357,036,129.

Given that the Board is not tasked with the statutory auditing of the financial statements, the Board checked the general layout of the financial statements and their compliance with law, as concerns their formation and structure. Having acquired supporting documentation concerning the accounting policies adopted, it has no particular observations to report.

In general, the Board confirms that:

- the formats of the statement of financial position and the income statement are compliant with IAS/IFRS and the requirements of the Italian Civil Code;
- the notes to the financial statements disclose the measurement bases adopted, which were found to comply with law;
- the notes provide a statement of compliance representing that the financial statements are compliant with IAS/IFRS, including therein SIC and IFRIC interpretations, as endorsed by the European Union at December 31, 2017; the notes to the financial statements and the

Board of Statutory Auditors' Report (Continued)

Report on Operations provide the disclosures required by law and are clear and complete in their presentation;

- the Report on Operations provides adequate information on the main risks and uncertainties of an organizational and functional nature;
- it does not emerge that the directors have exercised the exception contemplated in Article 2423(4) of the Italian Civil Code;

as such, the financial statements match the events and information learned by the Board through the performance of its duties and its attendance at corporate meetings.

Transactions with related parties

UBIS is a member of the UniCredit Banking Group and is subject to the management and coordination of UniCredit S.p.A.

Dealings with entities belonging to the Group and information on transactions with related parties are clearly reported in the Annual Financial Report, specifically in the notes to the financial statements and the Report on Operations, in accordance with laws and regulations in force.

No atypical or unusual transactions were identified.

Reports as per Article 2408 of the Italian Civil Code

The Board did not receive any reports as per Article 2408 of the Italian Civil Code or complaints from third parties.

Conclusions

Having received within the statutory term the financial statements at December 31, 2017, together with the Report on Operations; in consideration of the results reported in the financial statements and their compliance with the laws and regulations governing their formation and the disclosure of all mandatory information in the Report on Operations; and having received the Report of the External Auditors, with no findings or exceptions reported; the

"Board of Directors gives its opinion in favor of the approval of the financial statements and of the proposal of the Board of Directors for the allocation of profit for the year."

Milano, 22 marzo 2018

THE BOARD OF STATUTORY AUDITORS

Roberto Bianco

Franco Micheletti

Francesca Muserra

Report of the External Auditors

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of UniCredit Business Integrated Solutions S.C.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the income statement, comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of UniCredit Business Integrated Solutions S.C.p.A. are responsible for the preparation of the report on operations of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2017, including its consistency with the related financial statements and its compliance with the law.

Deloitte.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of UniCredit Business Integrated Solutions S.C.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Merlo
Partner

Milan, Italy
March 19, 2018

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 5 February 2018 and afterwards of 6 March 2018 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 9, 2018 at the Registered Offices of the Company in Via Livio Cambi, 1 Milan with the following

AGENDA

Ordinary Shareholders' Meeting
1. approval, pursuant to article 2364 of the Italian Civil Code, of the Financial Statements at 31.12.2017 and consequent resolutions;
2. resolution on the number of members of the Board of Directors and the Chairman for the period 2018/2020;
3. resolution on the fees to be paid to the Board of Directors;
4. integration of the appointment for the legal auditing of the accounts.

Extraordinary Shareholders Meeting
1. Statutory modification

Meeting Resolutions

Shareholders' Meeting resolutions

The ordinary Shareholders' Meeting of UniCredit Business Integrated Solutions S.C.p.A. held on April 9, 2018, passed resolution:

- to approve the financial statements at December 31, 2017 which show a profit for the year of € 8,469,057. 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 €8,469,057 as follows:
  - to the Legal Reserve: €423.453;
  - to the Extraordinary Reserve: €8.045.604;
- to appoint a Board and Chairman of Directors for the period 2018-2020, in the persons of:
  BIANCO Roberto, born in Turin on November 21,1959, Chairman
  MUSERRA Francesca, born in Foggia on May 14, 1965, director member of the Board of Directors
  PAOLILLO Michele born in Milan on May 16, 1953, director member of the Board of Directors
  RUBAGOTTI Marzio Duilio born in Brescia on May 21, 1965 deputy member of the Board of Directors
  ALOISI Barbara born in Cervia (RA) on June 6, 1967, deputy member of the Board of Directors;
- to grant the Board and Chairman of Directors a total gross annual emolument as follows:
  - to grant of €37,500 (thirty-seven thousand five hundred) to the Chairman;
  - to grant of €25,000 (twenty-five thousand) to each director Member;
  - to grant an attendance fee to each member of the Board of Directors of €300 (three hundred) for each meeting
    above an additional benefit consisting in a D&O Liability insurance Policy premium paid by UniCredit Business Integrated Solutions S.C.p.A..

The straordinary Shareholders' Meeting approved the modification of the Company name of the "UniCredit Business Integrated Solutions S.C.p.A." to "Unicredit Services S.C.p.A." on the basis of the art.1 of Its Regulations.

Cover and introduction creative definition: UniCredit S.p.A.

Sorter pages creative definition: Leagas Delaney

Design, graphic development and production:
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April 2018

UniCredit
Business Integrated Solutions

www.unicreditgroup.eu/ubis