One Bank, One UniCredit.

2018

Annual Financial Report

Solutions that matter.

UniCredit Services

Solutions that matter. UniCredit Services

One Bank, One UniCredit.

Our strategy is clear and long-term. We are transforming the Group to build the bank of tomorrow for our extensive client franchise. Everything we do is designed to make UniCredit a true pan-European winner.

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Banking that matters.

We are dedicated to creating tangible value for all our clients, employees and stakeholders by providing real solutions to real needs. Everything we do is grounded on ethics and respect.

Introduction

Transform operating model.

We are leveraging on digitalisation to transform our operating model. We are ahead of schedule, with an improved cost reduction. The optimisation of the cost base will remain important to ensure our Group’s efficiency and effectiveness.

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 Romeo Collina Pasquale De Martino Karl Stefan Vogt Remo Taricani Carlo Vivaldi	**Directors**
Rita Izzo	**Board Secretary**

	Board of Statutory Auditors
Roberto Bianco	**Chairman**
Michele Paolillo 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

"Our transformation journey will continue into and beyond 2019, with a pledge to support our Bank of the present, laying the ground for the Bank of Tomorrow."

Daniele Tonella
Chief Executive Officer

Dear Shareholders,

In 2018, we continued our challenging ambition to further improve customer experience, and drive optimization of our operational machine to bring "Transform 2019" towards successful completion.

We changed our name from UniCredit Business Integrated Solutions, to become UniCredit Services: highlighting the centrality of our services such as IT, Operations, Security, Real Estate and Procurement, reinforcing our belonging to the Group.

The streamlining of our operating model proceeded with business areas of Transformation Office, CIO Commercial Banking and Italy, CIO Governance Functions and CIO CIB and Germany undergoing reorganization. To achieve higher operations efficiency and consolidate international processes, we relocated some activities across countries; moving the CEE CIO perimeter of Czech Republic and Slovakia into the local banks, and commencing the shift of the London Investment Banking to Italy.

Our Management appraisal program progressed, underpinning our Five Fundamentals, to include more than 400 managers who were evaluated and supported, in order to develop key leadership behaviours necessary for driving the transformation. In our pursuit to create the best place to work that nurtures professional and personal growth, we developed talent internalization and upskilling programs, as well as the launch of dedicated career paths for engineers.

With constant focus on strengthening our security measures, we stepped up our defense capabilities to combat new external fraud scams, while putting into place action plans to ensure our people work in a safe and secure environment.

Leveraging the CIO's role, which has established a stronger and more transparent business relationship, our top priority remained that of developing projects that instill a more customer centric approach, and reduce operational risk.

We strengthened our adoption of agile methodology, contributing to the "E2E – Transform 2019" program to redesign and innovate many existing customer products and services, while creating new functionalities requested by the Banks.

In line with the European Payment Service Directive (PSD2) - an advanced Fraud Protection solution for online payments – we commenced the roll out of improvements in Czech Republic and Slovakia to comply with regulatory provisions, and ensure a prompt delivery by September 2019 deadline.

Paying close attention to the market trends that perceive data at the core of the new digital economy, we developed new methods to elaborate and manage the huge amounts of customer data gathered by the Group. With our Analytical Lab, we aim to generate value of data at scale by leveraging on the Big Data and Advance Analytics.

Our mandate to accelerate IT engineering journey was underscored by our continued collaboration with the Group to deliver the Robotics Process Automation platform and to set up the Automation Center of Excellence. This will enable an automated industrialized approach, building a strong framework to increase and scale up process automation for our bank of tomorrow.

Within the "Digital Workplace" program, we replaced over 8,000 obsolete and low performing PC's and laptops in our retail branches, and commenced the migration of the operating system to Windows10.

We ran the second edition of the Internal Service Quality survey, initially launched in 2017, working in close collaboration and synergies with Group colleagues.

Throughout the year we maintained an intense open two-way dialogue with our people, who are a fundamental part of how we are changing the way we work to being the transformation engine of the Group.

Looking forward, we will maintain our focus on digitalization, and process simplification, leveraging on best practices already implemented in our Group, to deliver the best customer experience. We commit to designing improved advanced analytics and automation programs, creating future fully paperless branches to support our business' growth.

Our transformation journey will continue into 2019, with a pledge to support our Bank of the present, laying the ground for the Bank of Tomorrow.

Daniele Tonella
CEO UniCredit Services

Ethics and respect: Do the right thing!

UniCredit Services S.C.p.A.'s Board and Senior Management consider that the way in which results are achieved is as important as the actual results. Therefore, the following Group Principles[1] should guide all employees' decisions and behaviours irrespective of seniority, responsibility and geographical area: **"Ethics and respect: Do the right thing!"**

Group Principles are designed to help all UniCredit Services S.C.p.A. employees, to guide their decision-making and their behaviours towards all stakeholders in their day to day activities.

In particular, such Principles require:
- compliance with the highest ethics standards - beyond banking regulation and beyond the law - in relationships with clients, colleagues, environment, shareholders and any other stakeholder;
- fostering a respectful, harmonious and productive workplace;

to best protect the Bank, its reputation and to be an employer and a counterparty of choice.

Group Principles underpin a set of core guidelines that further clarify expectations about the way to work as **One Team, One UniCredit** and support employees in the fulfilment of UniCredit *Five Fundamentals*. The spirit of each of these principles is extremely important and it will be the subject of more detailed policies that will be developed or updated in the coming months.

Group principles in day to day activities

- **Ethics as a guiding principle of fairness and respect towards all stakeholders in order to achieve sustainable results.**
  UniCredit Services S.C.p.A. colleagues, irrespective of seniority, responsibility and geographical area, are expected to do the right thing in their daily activities and to be fair towards all stakeholders to gain and retain their trust.

- **"Ethics and respect" is a guiding principle which applies to all Group policies.**
  The "Ethics and respect" principle is based on a long term view of the Group business activities and relationships with stakeholders as well as a comprehensive view of the internal and external working environment. Business policies require care to ensure that responsible sales approach work in harmony with balanced, fair and respectful customer interactions, enabling the achievement of sustainable business success and long-term targets. Targets and other business results are not considered achieved if they are not met in compliance with the Group Principles, related policies and the requirements that flow from them.

1. Which substitute the former Group values.

- **"Ethics and respect" is a guiding principle for interactions amongst all Group employees.**
  UniCredit Services S.C.p.A. colleagues are expected to contribute in their daily activities toward creating and maintaining a work environment that is as respectful and harmonious as possible, eliminating intimidating, hostile, degrading, humiliating or offensive behaviors and words. UniCredit Services S.C.p.A. must contribute to assuring the respect for the rights, value and dignity of people and the environment. All forms of harassment, bullying and sexual misconduct are unacceptable.

- **"Ethics and respect" is a guiding principle for the promotion of diversity and work life balance which are considered valuable assets.**
  UniCredit Services S.C.p.A. colleagues are expected to assure a workplace where all kinds of diversity (e.g. age, race, nationality, political opinions, religion, gender, sexual orientation) are not only respected, but also proactively promoted as well as to contribute to an environment in which respect for, and attention to, colleagues' needs, health, work-life balance and well being are deemed essential to achieving sustainable results.

- **"Ethics and respect" is a guiding principle underpinning the reinforcement of a "Speak-up culture" and anti-retaliation protection.**
  UniCredit Services S.C.p.A. is firmly committed to promoting an environment in which colleagues and third parties feel comfortable engaging in open and honest communication. UniCredit Services S.C.p.A. encourages colleagues and third parties to speak up and raise promptly good-faith concerns without fear of retaliation relating to any situation that may involve unethical or illegal conduct or inappropriate interactions with others.

The Principles will be consistently enforced at all levels throughout the Group, starting with a proper and focused communication to all employees. Management sets the "*Tone from the Top*", is held to account and holds others to account for working in alignment with the Principles, for their own behavior or for any decision to be taken. Management will accordingly reward outstanding behaviors and enforce the Principles in cases of failure to respect them and related policies as well as requirements that flow from them.

More detailed policies related to these Principles will be developed and/or updated in the coming months.

Company Profile

The go-live of UniCredit Business Integrated Solutions, a global service company of UniCredit, took place on 1 January 2012.
On April 9, 2018, the Extraordinary Meeting of UniCredit Business Integrated Solutions S.c.p.A. approved the change of the company name and the logo. The new name, UniCredit Services S.C.p.A. emphasizes the focus on technical and operational services and expresses, even more clearly, the sense of belonging to the Group of the company.

Developed thanks to the consolidation of dedicated Group structures and companies,
In particular, the provision of Information and Communication Technology (ICT) services, Operations, Real Estate, Security and Procurement, UniCredit Services responds quickly and easily effectiveness of requests for services from both the Group companies and the market.

During 2018 the transformation project was carried out with the aim of become a more trustworthy and reliable enabling factor for the Group, developing solutions simple, efficient and cost-effective for customers, leveraging one implementation flexibility, an agile approach, rapid response times and innovative solutions easy to use.

The services are designed keeping an international orientation that vehicles efficiency and economies of scale, preserving a clear perspective view that is comprehensive of the specific local needs.

The focus on the client ensures professionalism and competence and constitutes an added value also in the process of personal growth.

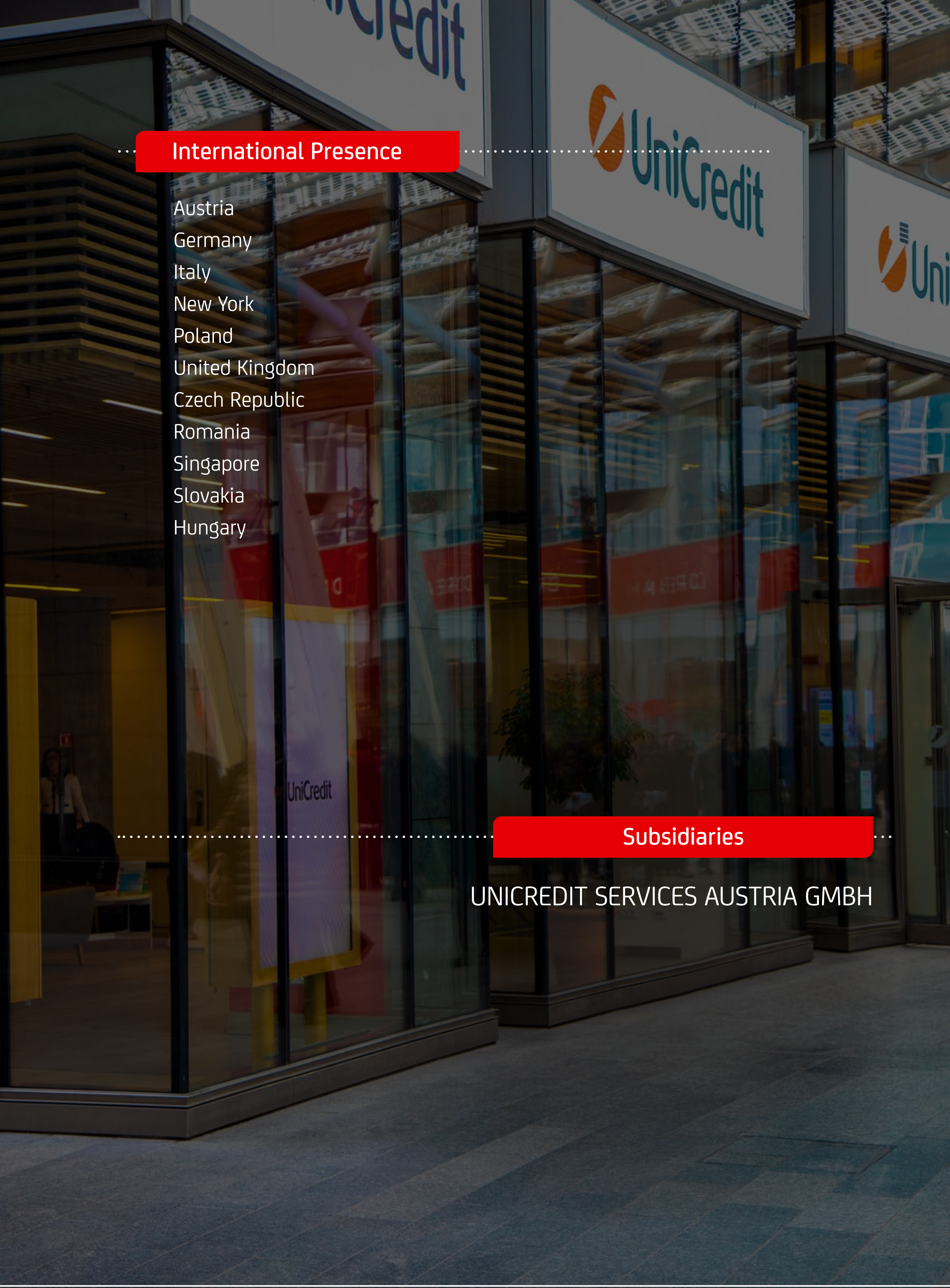
Financial Highlights

Shareholders' equity
€ 366,695,251

Value of production
€ 2,334,122,399

Profit for the year
€ 17,272,049

Employees
€ 7,851



International Presence

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

Subsidiaries

UNICREDIT SERVICES AUSTRIA GMBH

Maximise commercial bank value.

We continue to maximise commercial bank value by successfully focusing on our clients, delivering a positive experience through our multichannel strategy and best-in-class products and services. The fully plugged in CIB leverages on the Group’s strong commercial banking relationships to support the real economy.

Report on Operations

Overview of the Year

Dear Shareholders,

During 2018 the activities of UniCredit Services were characterised by the ongoing activities to implement the "Transform 2019" Plan guidelines.

In particular, following the "Transform 2019" plan, we continued with:
- optimising the network and closing 881 branches in Western Europe;
- rationalising real estate costs by reorganising offices and workspaces with a progressive reduction in the space occupied;
- disposing of 1,300 software applications, target achieved thanks to the growing use of global solutions;
- rationalising IT suppliers and progressively implementing the ICT *Infrastructure Trasformation programme*;
- completion of the 2017 nearshoring 2017 program by transferring back office activities to specialised centres in Eastern Europe, enabling an increase in the qualitative standards of the service offered, optimising activities.

A further positive result of Transform 2019 was the creation of the new Headquarters of UniCredit Bank Austria, one of the largest people transfer plans in Europe. The plan foresees a considerable reduction in costs by the end of 2019, thanks to an optimised operating model. The new Headquarters in Austria, Campus, defines the standards of a modern approach to work and collaboration between the various bank teams of the other Group companies.

In that context and referred to the UniCredit Group's largest transformation process, and the thorough reorganisation of UniCredit Services S.C.p.A. launched during 2017, on 9 April 2018 the Extraordinary Shareholders' meeting of UniCredit Services S.c.p.A. approved the change to the company name and logo. The new name, UniCredit Services S.C.p.A., highlights focus on the technical and operating services and expresses, more clearly, the company's belonging to the Group. On 25 April 2018, the Austrian subsidiary also approved the change of name.

As regards the economic and financial performance, during the year the company continued implementing the strategy to optimise its basic costs positively contributing to Group results.

Below are the most significant events that occurred in and shaped financial year 2018:
- in January 2018 an agreement and a binding term-sheet was signed (STA - Settlement and Term-sheet Agreement) to modify contracts regulating administrative services managing personnel in UniCredit S.p.A. and UniCredit Bank Austria AG, between UniCredit Services and Enterprise Services - Shared Service Center S.p.A. (ES-SCC), a company held 49% by UniCredit Services and 51% by Enterprise Services S.r.l.
  The agreement established the termination of the service agreement in Italy and the sale of the share held by UniCredit Services to the majority shareholders during 2018, as well as an extension to the duration of the service agreement in Europe until 2033.

  On 14 May 2018, the Master Services Agreement (MSA) enabling implementation of the above-mentioned STA was signed, while on 21 May 2018, UniCredit Services terminated, for economic advantage, the service agreement in Italy, effective as of 1 July 2018. ES-SCC provided Termination Assistance Services as was established in the MSA and all the services supplied for Italy (LSA) until 31 December 2018. On 19 December, the sale of the share of Unicredit Services S.C.P.A. to the shareholder ES Share Service Center S.p.A was finalised, in line with the above contractual provisions;

- during the first half of 2018 the seven-year agreement for the supply of e-sourcing services by i-Faber was signed; the ampler acquisition transaction by Accenture of all the iFaber shares held by UniCredit S.p.A was finalised at the same time. Based on the so-called TSA- Transitional Service Agreements, that is ancillary services, UniCredit Services will continue to provide ICT, Physical Safety, Facility Management and Logistic services to i-Faber for a limited period of time.
  Accenture Managed Services S.p.A. - owner of 51% of the shares of ABAS SpA - exercised its option right to purchase the remaining 49% of the shares held by UniCredit Services S.C.P.A.on 9 April last; at the strike price of € 1,210,000.00 established in the existing shareholders' agreement. Acquisition of this non-controlling interest was completed on 24 April 2018.

- On 1 July, the carve out of the operating branch of our Branches in the Czech Republic and Slovakia from Unicredit Bank CZ took place.

The transfer of the relative activities to the Back Office led to less revenue for about € 2.4 million, mainly offset by lower Personnel costs for € 1 million and € 0.3 million of other administrative expenses.

- For greater rationalisation of both real estate assets and the costs of UniCredit Services GMBH and UniCredit Bank Austria AG, as of 1 October 2018, the Real Estate & Logistics was sold to UniCredit Bank Austria AG, with the transfer of 70FTE. The purchase price, € 2,800,000.00, was calculated based on an external company valuation and, net of liabilities existing as at 30 September 2018, a cash amount of € 1,887,427.34 was transferred from the purchaser UniCredit Bank Austria AG to UniCredit Servizi GmbH.

- On 3 October, UniCredit Services S.c.p.A. sold 51% of its shares in the company UNI IT s.r.l., leading to its leaving the UniCredit Group.

- In 2018 Investment Banking Ops Mgmt started to close down the London site, having started the process for final closure in 2019.

- During September, the customers' services catalogue was reviewed, causing lower revenue for the period. During 2018, write-downs were recognised for a total of 9.8 million, whereas the adjustment of the pro-rata, going from 7% to 13% had a positive impact of € 12.312.440 on the income statement.

The financial statements as at 31 December 2018, being submitted for your examination and approval, close with profit of € 17,242,049 against a production value of € 2,334,122,399. The profit is mainly due to the refund of foreign tax receivables for € 16.4 million received in October 2018 by the Parent Company as part of the National Consolidated System and related to the Unico 2018 tax returns, referred to fiscal year 2017.

Business Model and Organizational Developments

During 2018, the UniCredit Services organisational model was mainly oriented towards completing and finalising organisational logics introduced in 2017 based on the following actions:

- establishment of CIOs as end-to-end units responsible for delivery to reference customers
- separation between IT and Operations
- establishment of the Transformation Office to regulate the medium-long term transformational changes and coordinate UniCredit Services initiatives in MYP T-19
- strengthen Security.

In 2018, several changes were made to the Company's organisational structure.

In particular, an operating model organised in three macro areas (Product management, Software delivery, Service management) was implemented in the CIO Commercial Banking $& Italy area. Its purpose was to improve proximity to the Customer, improve performance and standardisation of application development, enhance the ability to monitor quality provided and resources used.

With this in mind, a process to rationalise "Data & Analytics" activities was started in the CIO Governance Functions area. This action simplified the existing organisation and generated E2E value optimising the application planning, development and production cycle.

To streamline development of local solutions and improve the quality of solutions released globally, responsibility for delivering the "global" ICT service was centred in CEE. This by reallocating responsibilities in the CIO CEE, and creation of local controls on applications in the corresponding structures of Branches in Czech Republic/Slovakia and Hungary.
Centralised management of Payments area applications was the reason for the reorganisation of the GTB ICT area, in the CIO CIB & Germany Perimeter. Whereas, in Operations, the target was to review services for Italian customers; for increased integration and synergy between the operating chain and the respective Parent Company structures.

Operations was also affected by the transfer of activities - previously performed by the UniCredit Services Branches in Czech Republic and Slovakia (in the Master Data Management, Accounts, Securities, Customer Information, Direct Channels, Payments, Cards, Post Trade operating areas) - to UniCredit Bank Czech Republic & Slovakia a.s.. The corporate operation was conducted considering that: i) activities carried out by the organisation area being transferred were supplementary to those performed by the Bank through its back office; ii) on completing migration of the Eurosig information system to Core2, activities transferred no longer benefitted from industrial synergies with other countries;
iii) integration of back office resources in the respective banks enabled alignment of the new organisational model with that of the CEE Division banks, with a back office function managed in-house.
Lastly, the Automation Center Of Excellence (COE) was created to improve the analysis, assessment and design capacities of robotic solutions.

Other fundamental actions concerned the evolution of the CSF Transformation Office, reorganised in order to accelerate implementation of the IT strategy. Its purpose remains to strengthen the governance of architectures and solutions affecting the various company functions; and management/coordination of the Incident, Problem, Change and Release Management processes.

Security was a fundamental goal in 2018. It led to the reorganisation of activities linked to the physical security of the Italian perimeter, structuring responsibilities by competence (e.g. management of providers, platform management and development, controls) to increase efficiency by exploiting internal skills/know-how. For IT security: i) organisational changes were made to the Identity and Access Management structures, reorganising them by service supplied ii) activities and competence related to data and application security were consolidated and centred in a specific structure, to orientate strategic projects better.

The Estate & Logistics Italy areas were reorganised by separating real estate management activities and resources from a strategic and commercial point of view (RE Portfolio & Transactions Italy) from facility maintenance, safety, space management and logistics (Real Estate Italy & Logistics).

In continuity with e-sourcing services, the company I-Faber was sold in 2018 and services outsourced. This led to the reorganisation of the Procurement area to strengthen interaction with Business and uniform structures controlling expenditure categories.

Development Trends

Human Resources

The year 2018 was organized in continuity with the Transform strategy 2019 in UniCredit Services outlined in the previous year. Specifically, the implementation of the reorganization of the company continued, mainly thanks to:

- a continuous simplification of the organizational model and roles interface with the "business", strengthened through initiatives of retraining and internationalization, especially in the areas Corporate and Investment Banking and Operations;
- completion of Scrum, ICT and Lean Six Sigma certifications planned for 2018;
- the continuation of the Measure, Improve, Transform program (MIT) which, based on the 5 Group.

Management of the best allocation of resources e of the identification of core skills has led to the approval of a recruitment plan - "Skills of the Future"- aimed at acquiring specific distinctive skills and levels of "Seniority" in line with the evolution of industry needs.

In order to support the Transformation Project, the effort continued updating of the mapping of technical skills and management aimed at supporting its development in the context increasingly challenging, as well as a renewed analysis of the offer extremely selective formative and dedicated to the different levels of seniority, clearly guided by the necessity and opportunity of consolidate skills to support the strategic plan.

While continuing the simplification activities, diversification geographical was and will continue to be a lever for efficiency organizational and cost management, as well as for the development of pipeline of skills to be invested in the organization.

Inclusion and Diversity issues continue to be points of particular attention addressed both with specific initiatives and through participation in programs of the Parent Company.

As a natural evolution, a further focus is expected for 2019 on people and skills in continuous alignment with the challenges to which the Group will be called.

UniCredit Services S.C.p.A.

The workforce employed by UniCredit Services S.C.p.A. as at December 31, 2018 totalled 7,851 people, of which 3,221 in Italy, 1,932 in Germany, 1,659 in Romania, 169 in Hungary, 532 in Poland, 118 in the Czech Republic, 52 in Slovakia, 81 in the United Kingdom, 45 in Singapore, and 42 in New York.

The change in the headcount of UniCredit Services S.C.p.A. compared to the previous year was negative (-757 people), as shown in the breakdown below:

Employees as at 12.31.2017	8,608
New hires	878
Transfers to/from other Group companies	-373
Terminations	-1,262
Employees as at 12.31.2018	7,851

The reduction in staff was mainly concentrated in: Italy (-431) and Germany (-169) due to the industrial restructuring plans, in the Czech Republic (-234) and Slovakia (-54) due to the transfer of Operations to the Bank in July 2018. Additional smaller reductions were seen in the UK (-24) and Hungary (-7).
Three countries posted positive growth in their head-counts: Romania (+141), Poland (+19) and Singapore (+2) while New York remained stable.

The women in the workforce at year-end represented 46% of the total, while 1,052 staff have a part-time contract.

UniCredit Services GmbH

The headcount of the legal entity UniCredit Services as at December 31, 2018 totalled 1,214 employees, of which 343 in Austria, 387 in Poland, and 484 in Romania.

The change in the headcount of UniCredit Services GmbH compared to the previous year was positive (+41 people), as shown in the breakdown below:

Employees as at 12.31.2017	1,173
New hires	314
Transfers to/from other Group companies	14
Terminations	-287
Employees as at 12.31.2018	1,214

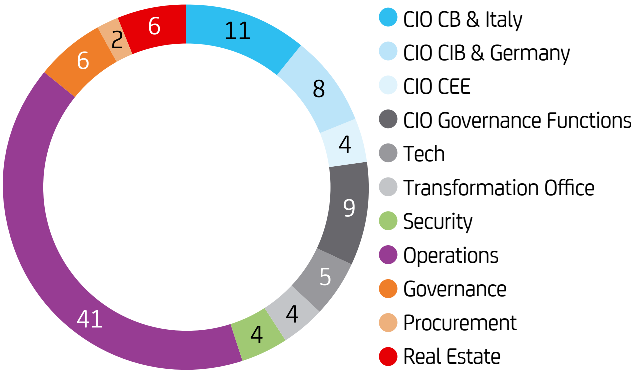
The increases in Romania (+25) and Poland (+80), were partially offset by the reduction in Austria (-64) mainly due to the effect of the sale of the Real Estate area to the Bank in October 2018.

The women in the workforce at year-end represented 71% of the total, while 173 staff have a part-time contract.

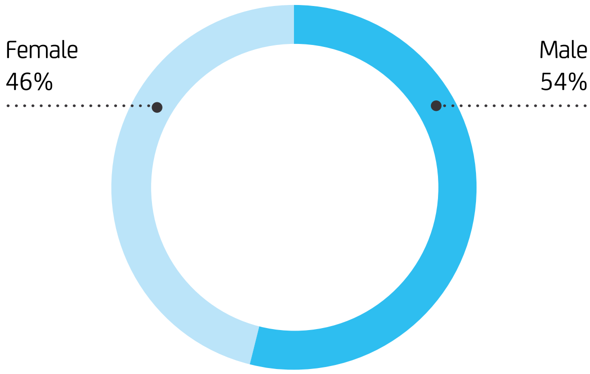
Development Trends (Continued)

Human Resources (Continued)

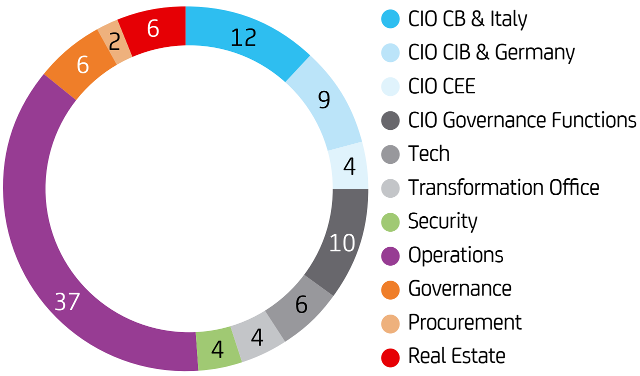
Distribution of staff by business area of UniCredit Services SCpA and GmbH (%)



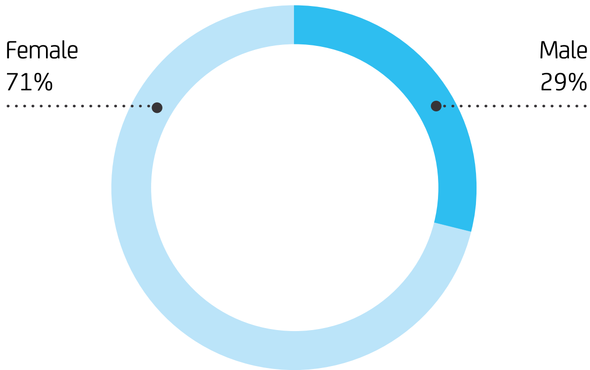
Distribution of staff by gender UniCredit Services SCpA (%)



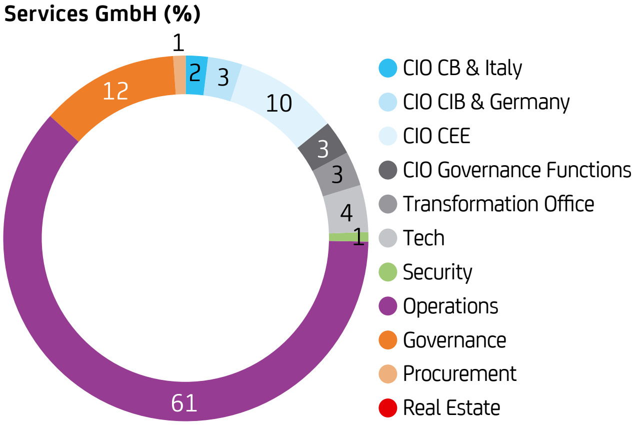
Distribution of staff by business area of UniCredit Services SCpA (%)



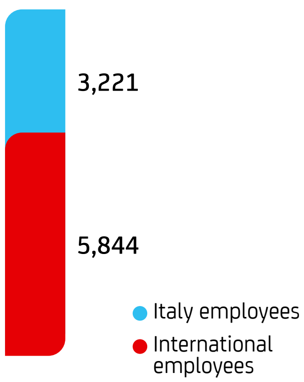
Distribution of staff by gender UniCredit Services GmbH (%)



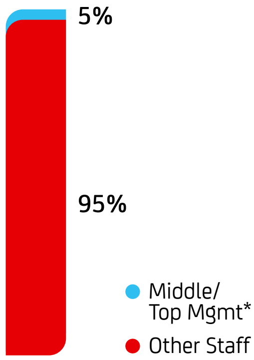
Distribution of staff by business area of UniCredit Services GmbH (%)



Distribution of staff Italy/international



Employees by category – SCpA and GmbH



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

Training

The training offer available to employees of UniCredit Services was optimized in 2018. During the past year, the Company has continued to invest in training, in the main strategic sectors of the "Skills of the Future" programme, focusing on developing and consolidating the distinctive skills in each technical area.

While the total number of participants in development initiatives fell (76,118, -21% compared to 2017) in terms of total hours, the reduction (210,263, -6% compared to 2017) can be linked to 3 factors:

- 7.33% reduction in the total population of UniCredit Services;
- the shift towards online training, particularly on behavioural and language topics, which involves a lower number;
- the reduction in budget for training activities (-15% compared to 2017).

Training continued to focus on:

- key professional roles such as the ICT Project Manager. In 2018 there were 234 registered participants on PM courses, with a total of more than 4,487 hours and 27 certificates;
- roles involved in AGILE projects (for example SCRUM MASTER). In 2018, 539 employees were trained, for a total of 5,304 training hours were certified in the SCRUM methodology, while another 78 colleagues from UniCredit Services;
- lean Six Sigma methodology, with 190 participants (6 Master Black Belt, 14 Black Belts, 55 Green Belts, 115 Yellow Belts & Champion) and a total of 896 training hours;
- traineeships, which involve three-year training plans starting from recruitment. In 2018, approximately 1,500 hours of training were provided to this group (18 members of staff).

Part of the training was provided through valorisation of the internal competences of the Company, for a total of 33,032 hours, in 354% increase compared to data for 2017 (7,274 hours).

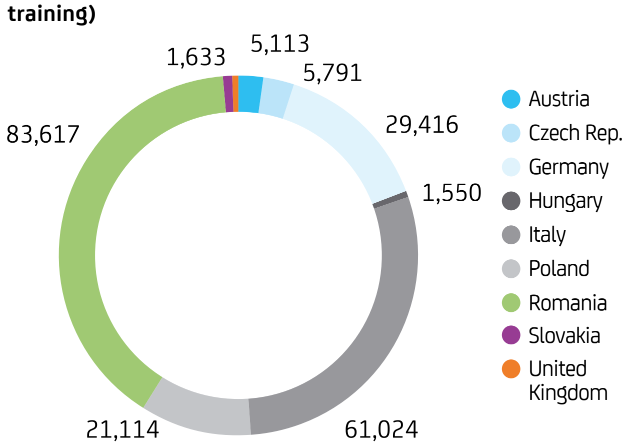
New training offers have been introduced. In this regard:

- "Master in Security" organised in collaboration with Cefriel and the regional government of Lombardy, the aim of which is to train 10 new hires on IT security, cybernetics and physical security.
- "Security by Design", an internal programme intended to provide roles with project management duties with knowledge of the principles of IT security, for a total of 241 participants and 1928 training hours.
- Real Estate online trading platform, for Real Estate experts In 2018, 67 employees attended a total of 1430 training hours.

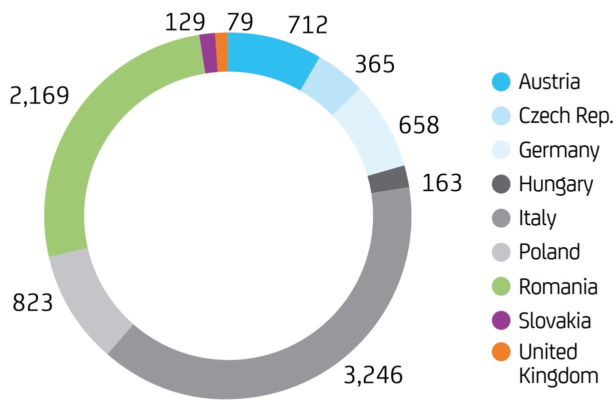
Training in 2018 (including mandatory training)

Number of participants in training initiatives	76.118
Total number of people trained	8.344
Number of training hours allocated in UniCredit Services in 2018:	210.263
HC UniCredit Services at 31/12/2018:	9.065
Average training hours per capita (total hours/HC at 12/31)	23,19

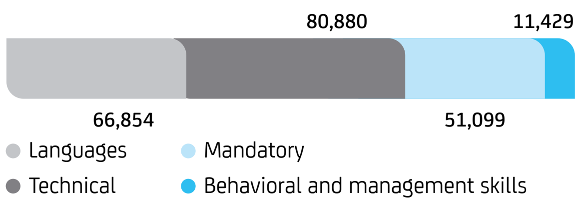
Training hours delivered by country (including mandatory training)



Number of people trained by country (Including mandatory)



Hours of training provided, by type (Including mandatory)



Development Trends (Continued)

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

In 2018, 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 analyses were conducted to quantify the greatest potential risks, and the company is in the process of optimising the qualitative assessment of the level of risk associated with project development and implementation.

For major projects, the outcomes of those appraisals then triggered a specific risk assessment (RA), which analysed the risks in detail and outlined the mitigation measures identified.
The final RA outcomes were then submitted for approval by the stakeholders of the project.
For the ICT area, the annual assessment activity covered 30 information technology processes.

During the second half of the year, the ICT & Cyber Risk TEAM was set up within Risk Management - this team is a crossover between UniCredit Services and UniCredit SpA - Group Operational & Reputational Risk - with the aim of consolidating and developing distinctive skills in the ICT and ICT Security fields, mainly focusing on the management of risk in those areas. In particular, the team supports Risk Management activities aimed at assessing process risk with a focus ICT and Cyber Risk aspects, the analysis of risk factors that can trigger ICT & Cyber risks, and the analysis of ICT and ICT Security incidents. Priorities thus include the evaluation of major IT processes, the monitoring of Level 1 controls and verification of the efficiency and completeness of security measures.

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 external regulatory requirements and Group standards through an internal validation process which is then audited by Audit.

The operational risk management system adopted by UniCredit Services was found once again in 2018 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 2018 were found to be very low. Constant efforts are focused on spreading risk awareness throughout the Company, aimed at promoting consistent behaviour in all people at all levels of the organization.
Alongside the courses on operational risk - Risk Web Based Training (WBT) - developed on the company's training program and included in the "on boarding program" - a training package allocated to all new hires - Risk Management works with the Group's Competence Line in developing content designed to highlight the central importance of the risk culture, from a strategic and business standpoint. By focusing on specific issues such as strict compliance with rules and processes, accountability and reliability in an individual's approach to their own work, and customer focus, the group-wide initiative "Proper Behaviour", which is available on the company portal, further illustrates how risk management is applied in all business activities, and how a constant focus on proper behaviour can protect against potential operational and reputational risks.

Finally, the risk management section of the company website contains contributions and tools that can help staff to analyse current and future rusks, and improve their understanding of them, by integrating risk management activities into their day to day actions.

Development Trends (Continued)

Transformation Office

2018 was a year in which Transformation Office reorganized to become a simpler and leaner team to accelerate the implementation of the IT strategy within the company and manage the overall transformation program.

We continued to support the Group in its' ambition to deliver a more flexible and simpler IT offer, while providing governance to monitor service levels and customer satisfaction.

Constant attention was given to our IT standards, processes and tooling, to ensure their effective and efficient transformation for the benefit of business partners, while defining and evolving architectural standards.

We supported the overall IT organization in incident, problem, change and release management, incorporating material improvements to increase quality of services and reduce operational risk.

Governance of ICT portfolio management, service catalog, contract mgmt, administration and reporting remained a high priority, including an IT Demand Management process review being carried out throughout 2018.

An initiative to transform the Project Management management process was started, leveraging on the contribution of multiple actors accross UniCredit Services.

We run the Internal Service Quality survey, initially launched in 2017, working in close collaboration with Group colleagues in a spirit of One Bank, One UniCredit. More than 1700 colleagues from CIB, Commercial Banking and Global Functions across Italy, Germany, Austria and CEE countries were invited to take part the survey. We will compare the results with the 2017 baseline, with the aim to define a new action plan on improvement areas.

We also acted as enablers to CIOs and Tech on transversal and highly relevant projects (e.g, PSD2, Robotics, VTS Transformation, Obsolescence Management) and worked hand in hand with CFO to develop the IT solution for the Cost Accounting Model, the new IT cost management system that boosts the concept of cost transparency for our business partners.

Our mandate to accelerate IT engineering journey was underscored by our continued collaboration with Operations to deliver the Robotics Process Automation platform and to set up the Automation Center of Excellence.

Our focus on DevOps materialized in 2018 as we involved the rest of the company in the definition of the challenging project that strongly advocates for automation and monitoring of all the steps of software construction, combining both software development (Dev) and software operations (Ops). Some technical solutions were also tested/piloted to better understand the applicability and benefits of such an approach.

The Operational Risk Optimization (ORO) program, covering IT and Operations, entered into its second year in 2018 and was driven by Transformation Office, under the sponsorship of the UniCredit Services CEO and the UniCredit COO.

We continued to support the CEO in driving the company culture in a time of deep transformation by designing and organizing the summer CEO global roadshow that visited seven global locations and invited all colleagues to attend, either in live events or via streaming.

Our collaboration with Human Capital remains strong by working together on projects such Skills for the Future and IT skills development, and we will continue in 2019 to reinforce this partnership by providing advice on the development of our IT career path program.

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. It is the sole point of reference for all service requests from CEE countries and directly provides clients with ICT services for the Commercial Banking area, engaging with the various CIOs, the TECH function, 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.

The new CEE CIO organization, which took effect from 1 September, is another important milestone on the path towards transformation, aimed at strengthening proximity to the business and boosting the service level.

2 main changes have been introduced.
1. A single CEE delivery unit, which manages the shared assets in the CEE CIO universe: it focuses on supporting the CEE division's business strategy with common process governance aimed at aligning best practices so they can be used throughout its area of competence.
2. In the Czech Republic, Slovakia and Hungary, a dual role has been created: CIO / Branch Manager of UniCredit Services, with direct responsibility for IT within the bank's local applications, based on the model of the other CEE Banks (which have an internal IT department).
   This change will bring the business and IT closer together, creating a single point of reference and management within the banks for all the applications and services managed locally and integrated into the global solutions.

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;
- 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:
- Going Digital: 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 and sales processes.
  In 2018, 4 new versions of the Mobile channel were released in a pilot project in one country. A new release is being worked on, and it includes Meniga, a new component developed jointly by UniCredit and the Fintech of the same name, to give end customers a more personalised view of their data.
  In the online channel, UniCredit Bank Hungary has migrated from the previous local solution to the new Internet Banking.
  In general, the roll-out of the new Internet Banking in the other countries and on the public website is continuing in line with the Multi-Year Plan.
- Core02 Performance Improvements: performance improvements to the Core Banking system for night closing operations and the introduction of some 24/7 functionalities.

Some of the main releases are:
- PSD2: the first official release within the Group (UniCredit Bank Czech Republic) relating to the provision of API for the AISP services (Account Information Service Provider), Check Balance and PISP (Payment Initiation Service Provider).
- GDPR: the necessary technical solutions for data portability, right of access, consent to data processing and the right to be forgotten (wave 1) required by the laws in the EC perimeter have now been implemented.
- Instant Payment in Serbia: the functions required by the National Bank of Serbia were released by the deadline. UniCredit Serbia is the only bank in the country that can provide customers with this service on all channels.

CIO Corporate & Investment Banking and 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". It is the UBIS CIO for the CIB Division and clients located in Germany, and it is responsible for all ICT services offered (applications, infrastructure, and ICT security), from the definition of the ICT evolution strategy through to managing the run services. It is also the single entry point for dealings with customers in its area of competence, directly or supported by the ICT areas.

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,

Client Services (Continued)

Chief Information Office (Continued)

acting as a link between the head office and the branches, dealing with local issues, as well as locally disseminating the strategy, processes and guidelines of the headquarters.

The unit is divided into three core service function operating structures: Markets and F&A ICT, GTB ICT, and 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 forex, money market, derivative, stock, and structured loan products by the Corporate Investment Banking Division. Its activities also relate to international client transaction settlements for the CIB Area, market intelligence IT 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 controlling the IT solutions implemented on advanced technological frameworks in the CIB area, for managing the design, development and evolution of advanced analytics, machine learning, cognitive computing, distributed computing, and for supporting the other CIB ICT functions in their evolution and industrialisation - this includes researching and developing next-generation products and application platforms.

CIO CIB & Germany is present in 8 countries (Germany, Italy, Poland, Romania, United Kingdom, New York, Singapore, and Austria) and has a cross-company management structure (UniCredit Business Integrated Solutions S.C.p.A and UniCredit Services GmbH).

In 2018, CIO CIB & Germany lent its support to a number of strategic CIB programs. These 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 (Digital Advisory, Market Making, Blink, Corporate Channels), as well as projects to expand the geographical reach of Business operations by launching new IT services (Faster Payments Hong Kong and eBanking Singapore).

In Markets and F&A ICT, during 2018 support was provided for the evolution of strategic business platforms such as Machine Learning for Market Making, Systematic Internalizer, the upgrade of the ExCEED platform to support currency trading, and Digital Advisory to support the sale of non-listed stocks. With regard to the industrialization of ICT services, the team continued its consolidation of Murex (Murex FXO consolidated with Murex IRD / CRD) and started an upgrade of the ORC/ TBricks platform. From a regulatory point of view, the team assisted with the regulatory compliance activities needed (MIFID II, MMSR and FRTB).

In the GTB ICT area during 2018, support was provided for the evolution of payment systems such as GPI, Virtual Account Austria, Instant Payments and Pay-FX, to Trade Finance for innovative programs such as Trade Finance Gate and We.Trade, and finally on the access channels the Group eBanking and Global Corporate Portal programs were continued. With regard to the industrialization of ICT services, the Group SWIFT Hub program was launched, to align the Group's SWIFT solutions and create a single global competence centre. In terms of regulatory compliance the team completed all the activities needed to ensure compliance with ALBA regulations. An important area was the team's governance of the Group PSD2 program.

In the CIB ICT Digital area, in 2018 the team mainly extended the B-Link platform to support the work of the Relationship Managers for CIB customers in Italy and Germany, and for Corporate clients in Germany.

Looking towards 2019, the Markets and F&A ICT teams will be busy with the evolution programs, particularly for the Advanced analytics/Artificial Intelligence platforms in the TradiNg and Sales area, for bonds and equities, Digital Advisory, Sales cockpit and one.markets, as well as Systematic Internalizer. It will continue with the consolidation of Murex, the migration of the K+ New York and Asia platform to the target platforms for UCB AG and also for UCI SpA and will launch the upgrade of the Murex Treasury platform. In the regulatory area, the team will provide support for the Securities Financing Transaction Reporting program, among others.

2019 will see the GTB ICT team working on the PSD2 programs (especially on new business developments, thanks to the Open API), Group SWIFT Hub, Virtual Account and Corporate Portal for the Italian, German and Austrian banks. In Trade Finance, work will continue to digitalize this process, also by developing the We.Trade platform.

In 2019, CIB ICT Digital will support the industrialization of B.Link demands, in terms of supporting technologies, user experience and functionality.

Area CIO Commercial Banking & Italy

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

As the UBIS CIO for Italian clients, it is responsible for all ICT services offered, for defining the ICT evolution strategy, and for managing the Run services, also 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, Bancassurance products;
- 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;
- Design and execution of the Level 1 customer application support services.

"CIO Area Commercial Banking & Italy" also coordinates and guides UniCredit Services AT on all aspects of governance and business strategy, and is a point of reference for UniCredit Services ScpA in its relations with Austrian clients - who have service relations with UniCredit Services GmbH - supported by the Legal Entity's ICT factories.

In 2018, CIO Commercial Banking & Italy was involved in the E2E - Transform 2019 program with the aim of supporting the roll-out of the Group's industrial plan by redesigning the operational model for 24 customer products and services. An "agile" approach was taken to the program, with "scrum" rooms (where Business and IT work together) being set up during the year. 17 areas were dealt with: advances on invoices, current accounts, credit cards, residential mortgages, advisory, asset management, debit and prepaid cards, business loans, bancassurance, online banking, payments and withdrawals, administered savings, cheques, payments, successions, archiving and digitalization.

3 rooms were also set up in Germany in a similar way to the Italian program, to redesign the processes for opening current accounts, mortgages and consumer loans.

Within the digital channels, the new online banking was released in Germany, aimed at providing an excellent Customer Experience. Meanwhile in Italy, the "Investments" section was introduced, which allows customers to carry out financial trading and monitor their portfolios. In Austria a new online banking architecture was introduced, which has superseded the monolithic system and reduced functional dependence, made the website maintenance more efficient and guarantees an enhanced performance.

In the mobile banking area, the new mobile app is now in the release phase. This will enhance the user experience, reinforce customer-bank communications thanks to new channels such as push notifications, and will introduce a "commercial engagement" system that matches the customer's browsing (new UX, simplified processes, etc.).

Important initiatives have been launched with the aim of building the new bank of the future, specifically with the Paperless Branches campaign which will digitalize the forms produced in-branch.

In the insurance area, the range of products was extended to include MyCare Famiglia (Family) and MyCare Salute (Health). In the wealth management area, a new product, "GP Premiere", was launched for retail customers at the start of the tax year. It consists of a basic obligatory module matched to the customer's profile, while optional modules can be added depending on the individual requirements.

As part of the MyCredit program (previously Digital Credit Revolution), which involves a 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. This procedure is now at the pilot stage in some of the branches, and is expected to be rolled out across all branches early in 2019.

Major new developments have been introduced in payments and e-commerce, with the SamsungPay and ApplePay projects that allow customers to make payments from their phones.

Client Services (Continued)

Chief Information Office (Continued)

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.
In 2019, the main challenges for the CIO Area will relate to completion of the E2E program in Italy, and its continuation in Germany.

In the digital channels area, in line with the “Transform 2019” plan and the Group’s guidelines designed to consolidate UniCredit at European level, in 2019 the “mature countries” (Italy, Germany and Austria) will see the launch of the “New Global Mobile App” that customers from the various countries can use. Its distinctive user experience will make the “One Global App” concept a reality.

CIO Governance Functions

As part of the general reorganization of UBIS in 2017, CIO Governance Functions took the place of the GES business line, with an extended area of competence. 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. In 2018 the perimeter was further extended to strengthen cooperation and facilitate the Transform 2019 objectives.

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

In the CFO area, Governance Functions will ensure the management of the IT applications needed for: accounting, budgeting, mandatory reporting, planning and control, Credit Treasury, 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 the Bank.

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.

Finally, it manages Audimex, Datawarehouse and the whole suite of related applications, supporting the mission of the Audit competence line.

The 2017 restructuring of UniCredit Services included the previous unit of the Data&Analytics business line within Governance Functions. The ICT Data&Analytics team was set up with effect from 1 March 2018, with the aim of defining a clear E2E responsibility for all the players involved in data management, bringing the Analytics universe closer to the end customer while guaranteeing centralised data management and governance services at Group level. The new team, which is present in Italy, Romania, Hungary and Austria, will provide global ICT Services to manage the data and analytics lifecycle, for the “DWH”, “Specialized Data Platforms” and “Big Data” applications, while providing new ways of processing and managing information for Group customers. For the other UniCredit Services functions, the team will support the introduction - in accordance with Parent Company guidelines - of the “Data Governance” strategies and their industrial management, as well as the evolution of advanced analytics, data science and machine learning methods and algorithms used by the applications they provide.

In 2018, the scope of activities was expanded to include the Governance Tools and Real Estate Tools teams. Governance Tools will help the Group to develop the Law 262/05 certification campaign, which governs investor protection, supporting colleagues in using the HOPEX application. The transfer of the Real Estate Tools team to CIO Governance functions will include all the applications used for local and global real estate management, for the census and maintenance of works of art, and for crisis management.

The CFO area was another important player in changes to the perimeter, as the Securitization solutions team has been incorporated into Commercial Banking. The activities mainly relate to the management of assets and portfolio analysis for true sales securitizations (towards vehicle companies) and synthetic securitizations. It provides managerial and regulatory reports for the entire lifecycle. A service has also been set up in Germany and Austria to manage the cover register in support of the CFO.

In 2018, CIO Governance Functions managed a significant project portfolio, which totalled around 500 projects for a total value of approximately € 144 million - comparable to the 2017 portfolio.

The most important projects for the year included:
In the **Credit Risk** area, work was completed on AnaCredit, a project launched by the European Central Bank in 2016 to provide an archive of centralized and granular credit and credit risk data. This is in response to the need to strengthen the ECB's role of overseeing and managing risk and financial stability policies. Work continued on two important programs launched in 2017 in relation to new regulatory requirements 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. Work also continued on developing and implementing the Non Performing Exposure (Asset Strategy and Stock Take) while the NPE Repository was released (this is used to collate information on assets and to centralize reporting); the program will continue throughout 2019.

The **Accounting & Regulatory** area was heavily involved in the regulatory, multi-year global IFRS9 and EBA programs. The IFRS9 program, which involved a radical change in accounting standards pertaining to the classification and assessment of credit and financial instruments, went live with the consolidated accounts for Q1 2018, fully in line with the IFRS9 methodology, after the first time adoption was completed on the figures to 31/12/2017.
A series of fine-tunes was completed in the second half of the year, these relate to the management of syndicated loans for example.

As part of the EBA evolution, major projects were completed on the new ECB reports, with detailed granularity for credits (Anacredit) and securities (SHS).

In relation to the constant focus on **Liquidity,** the releases of the LCR Deep Dive projects were completed during the year. This completes the first set of requirements ordered by the ECB. The SSM Liquidity Exercise was also completed, and the IRR project was finalized, including all the legal entities within the Ermas Group. The three-year program of divestment of ALM RISk was launched for the CEE Banks, to help the adoption of the Group solution for regulatory liquidity management. 2018 saw the completion of the analysis of the first 4 legal entities and the developments of the pilot bank (Hungary) were closed.

In the **Financial Risk** area, the regulations introduced by the Basel Committee (Financial Review of the Trading Book (FRTB), require a sweeping review of market risk methods and reporting. The resulting implementations were the focus of CIO Governance Functions in this area. The minimum obligatory component required from the banks was met in 2016 thanks to development of the new Standard Method (SBA), and the program will continue between 2018-20. In 2018 the implementation of the Internal Model Approach (IMA) was finalized for UCB AG, aimed at recognizing a reduction in risk capital. In 2018 the SIMM (Standard Initial Margin model) was also rolled out for UCB AG and UCI, as indicated by the ISDA regulations. This standard model allows the rapid, efficient operation of consensual resolution procedures for potential disputes, and allows the regulators to carry out their control activities in a simpler, more coherent way.

In the **Global HR ICT** area, the HR Transformation Program is underway. This will lead to the substitution of the SAP platform with HR Prostaff, and will end in 2019. The Travel Management system is currently being extended to the foreign branches of UniCredit Services (UK, HU, SK) to bring them into line with the system in Italy. Industrial Relations projects relating to CRAL Unico Uninsieme and Welfare One are currently in progress.
In 2018, all the adjustments to HR Management/Payroll were made, as required by the new fiscal and welfare regulations.

In the **Compliance** area, the supporting architectures were expanded and consolidated. In particular, the GAFC area saw the launch of the Italian AML upgrade tool (Gianos), the new AML risk assessment solution, and the adaptation of the questionnaire to the IV Directive. In the Controls area, there was a review of the risk assessment solution at Group level. It was integrated into Audimex, which is already used by the Audit function.
The supporting architecture for the CIB detection processes was also expanded and consolidated. In particular, new Global applications were implemented for Trade monitoring, and to monitor (Personal Account Dealing), together with a system for Insider List Management. The system functions intended to support Market Abuse controls were extended in the same way. Within the ALBA project, the remediation activity in the CEE area was completed, and the work in the Foreign Branches area was started; a workflow tool has been introduced to manage requests by American authorities, while projects have started on 3 hubs to set up data repositories that will allow responses to be submitted to the authorities according to the strict timeframe required by the SLA.

Client Services (Continued)

Chief Information Office (Continued)

In **Data&Analytics ICT**, work started on the Advanced Analytics Lab, which aims to 'test the value' of data owned by the Group, using modern analytical tools such as machine learning to extract data and generate a positive impact in terms of revenues and cost reduction. Specifically, the project involved setting up a new big data analytics platform, introducing a new operational model based on the creation of a joint team that brings together professionals from various parts of the Group, in the same room (ICT, GDO, Retail, Corporate, CLO/CRO, Compliance and Audit) as they seek to supersede the traditional supplier/customer relationship while sharing objectives and responsibilities focusing purely on results. In this stimulating, innovative laboratory environment, numerous use cases have been launched in parallel, involving various competence lines. In just a few months, the team has moved from the first use cases to industrialization and launch on the Italian market, which confirms the project's value-generating potential.

A joint comparison between the Group Data Office and Data Analytics ICT resulted in the launch of an operations working group aimed at defining an end to end data governance process, by analysing the work needed to adopt the Data and Information Governance Global Policy at group level, and by identifying the tools and controls needed to apply this effectively.
Also in the Data Governance area, the Data and Information Governance tool will guarantee the governance of various business processes to satisfy the requirements of the Group-internal policy, and regulatory requirements (Liquidity, FMIS and Aramis).
Data Quality initiatives have continued, including the roll-out of a global Data Quality framework (IGoR) which allows the monitoring of the main Key Quality Indicators and which will activate governance processes in order to improve the quality of information within the Group.

To support the Group Brand Management activities, work has started on integrating data from the DMP (Data Management Platform) with CRM (Customer Relationship Management). This will enhance the information we have about our customers and can be used to optimize retail campaigns and the purchase of web advertising space.

CIO Austria

ICT CEE AT

"CIO CEE" ensures for the geographical perimeter of competence, the global delivery of ICT services offered with regard to e.g. "Commercial Banking" and "Cards".

It acts towards CEE Clients, being accountable of overall ICT services extent (applications, infrastructures, ICT security) from shaping the ICT evolution strategy to guaranteeing run services, acting also as single reference point for the full "relationship" with the reference Clients, directly or engaging other ICT factories for other services.

The structure is, thus, responsible to design coherent and consistent application architectures, based on Group and UniCredit Services strategy and guidelines, and to provide, directly and indirectly, ICT services and solutions related to:

- internet, mobile banking, operative CRM and Business Intelligence for CEE perimeter;
- commercial banking (e.g. credit cards) based on EzyCore platforms;
- i-HUB integration layer for selected third parties applications and their integration;
- specific local commercial banking applications;
- ensuring their ongoing updating also through dedicated Help desk and AOC services.

In 2018 the key effort was focused on re-organization of operating model of CEE CIO, stabilizing service operations and delivering Transform 2019 initiatives.

Local applications were newly assigned to the responsibility of new appointed CIOs for Czech and Hungarian Banks; CEE Service Delivery (covering all assets which are common across CEE countries) team was established as common factory taking care for CEE shared assets.

Several successful initiatives took place for further stabilizing services operation after completion of core banking system implementation in Czech bank.

Together with the Banks CEE CIO organized focused taskforces and delivered several improvements in CORE02 performance and stability mainly impacting operation UniCredit Czech Republic, Romania and Serbia; other countries remain for roll out for 2019.
All countries also successfully went through upgrade of main infrastructure of AS400 system environment with significant performance improvement for daily EOD processing.
The rollout of Internet Banking to UniCredit Hungary was completed and CEE CIO started the development for Bosnia and Hercegovina.
Introduction of fully agile delivery of all the changes related to Public Website across whole CEE perimeter.
With the successfully delivered regulatory changes related to GDPR, where more than 300 assets were addressed and assured to be

complaint including delivery of central GDPR application to manage rules and parameters of all processes finalized the successful way in CEE CIO.

ICT Commercial Banking AT

“ICT Commercial Banking AT” ensures, for perimeter of competence - directly and indirectly - the local delivery of ICT services offered with regard to “Omni Channels”, “Credits”, “Core Banking”, “Cards”, “Securities”.
It is accountable of overall ICT services extent (applications, infrastructures, ICT security) from shaping the ICT evolution strategy to guaranteeing run services, acting also as single reference point for the “relationship” with the Clients, directly or engaging other ICT factories.

The structure thus, responsible to design coherent and consistent application architectures, based on Group and UniCredit Services strategy and guidelines, and to provide, directly and indirectly, ICT services and solutions related to:
- internet and mobile banking;
- Mapping IT, risks and Compliance resources;
- Acting, for what concerned issuing and acquiring ICT/Operations services of payment cards, ATM and mobile devices, as “Operational RTO” towards the Outsourcers;
- collecting all relevant inputs (both applicative and technological) for “UniContact”;
- updating all “UniContact” contents and foster it’s usage and initiatives;
- approving BANK AUSTRIA newsletters;
- SPOC for all incoming incidents.

With the introduction of NFC functionality of UniCredit Bank Austria (UCBA) Cash-Recyclern & ATMs customers can either via NFC function of their debit card but also via smartphone (in combination with the Mobile Wallet APP of the UCBA) as the first bank in Austria to withdraw money. The introduction of the functionality of own account transfer at the Account-Manager-System defines an additional way for the customer, regardless of the opening hours, to do his banking business. This underlines the innovative strength of the UCBA in the field of digitization of banking transactions with increasing customer satisfaction.
One of the major initiatives in the perimeter of digitalization was the implementation of the ID scanner in branch network of UCBA. Thus, the authenticity check of ID cards can be done in real time and a copy of the ID card is automatically stored in the IT systems. This reduces the effort in the branches massively.

The “Digital Postal Delivery” - a further “digitalization” initiative - was started in 2018 that will help UCBA significantly to reduce paper-based customer traffic in particular. Instead of sending postal customer information (including account statements), these are now delivered via electronic channels used by the customer.

ICT CIB AT

“ICT CIB AT” ensures, for perimeter of competence, the global delivery of ICT services offered with regard to “Markets and F&A” and “GTB”.
It acts as UniCredit Services GmbH ICT towards CIB, being accountable of overall ICT services extent (applications, infrastructures, ICT security) from shaping the ICT evolution strategy to guaranteeing run services, acting also as single reference point for the “relationship” with the reference Clients, directly or engaging other ICT factories.
The structure is, thus, responsible to design coherent and consistent application architectures, based on Group and UniCredit Services strategy and guidelines, and to provide ICT services and solutions, direct and indirect, related to:
- trading & treasury platforms cross asset classes covering Rates, Credit, FX, Equity, Commodity and Treasury and post trade services platforms;
- payments platforms local (domestic) as well as global (international, SEPA, Financial Institutions) and cash management channels both for Bank’s corporate customers and central and local Public Administration & trade & supply chain finance;
- custody securities application for broker, international banks and financial institutions for securities, custody and processing;
- fund management.

Due to cancelation of the former global payment platform initiative a project was set up on the existing applications with the target to reduce total number and impact of incidents. The main focus was on IT Application Management in increasing of resilience for technical operations, jobcontrol, logging, rollback/restart, database refresh. Further improvements in the perimeter of Payment Operations were achieved by realizing and implementing the automation of critical manual activities, extension of system driven controls and the enlargement of existing documentation. Overall more than 600 jobs and 150 programs were analyzed and modified.

The merger of Ex-Pioneer Austria (PIA) and Amundi Austria as one of the major projects in 2018 required the increase of the service level which UniCredit Bank Austria offered to Amundi.

Client Services (Continued)

Chief Information Office (Continued)

The core assumption of the project was to keep the respective business flows and main applications but taking into consideration the changes from the new set up. The approach has been to retain the current business and take the opportunity to apply for further improvement. Amundi merged legally the two entities in May 2018, while the technical merger was successfully performed in November 2018 with no impact the Depository Bank business of UniCredit Bank Austria The need to change the set up and to comply several of processes respecting the requirements of Amundi and to provide best services to this key client was also achieved.

An additional the sales channel for Guarantees and Letters of Credit (income growth) was implemented to start new opportunities for the customer UniCredit Bank Austria to create new business on the Austrian Market.

ICT Governance Functions AT

"ICT Governance Functions AT" ensures the delivery of ICT services offered with regard to Competence Lines Planning, Finance & Administration AT, Human Capital AT, Compliance AT, Risk Management AT and other UniCredit Services GmbH governance function, acting towards served clients, being a single reference point for the "relationship" with the reference Clients, directly or engaging other ICT factories. It is also responsible for the implementation, development and management activity of "Big Data" solutions for Clients and for the UniCredit Services GmbH Factories.

The structure is, thus, responsible to design coherent and consistent application architectures, based on Group and UniCredit Services strategy and guidelines, and to provide ICT services and solutions, direct and indirect, related to:
- Accounting, Balance Sheet and Statutory Reporting, Planning and Control, Credit Treasury, Liquidity/Asset Liability Management and data flows for Regulatory Institutions;
- Credit risk management and operational risk management;
- Compliance platforms to meet audit and regulatory needs;
- Financial and customers' market and counterparty (CCR) risk management;
- Human Resources management (SAP, SuccessFactors, GEPE, etc);
- Data integration, data processing, analytics, data visualization, data product, cognitive computing, Big Data, DWH, specialized platforms.

Within 2018 several projects were performed successfully to improve quality, time and performance.

The performance of separate derivative dataflows in the perimeter of Accounting and Regulatory Reporting was improved by analyzing and increasing of the data quality as well as by the reduction of the reconciliation & time effort.

Even in the context of the Fair Value Engine (FVE) the data quality was massively improved. In the current approach, the forwarded interest flows were determined from the same zero coupon curve used also for discounting purposes by FVE.

Additionally the GCD application delivers deal data to Fair Value Engine for Fair Value -calculation on a monthly basis. For some input parameter data quality should be improved to achieve more reliable Fair Value -results.

UniCredit Bank Austria decided in 2013 to become a shareholder of AuRep (Austrian Reporting GmbH) who is operating and continuing to develop the software solution for a number of participating bank. AuRep solution covers already obligatory OeNB (Österreichische Nationalbank), ECB (European Central Bank) requirements. During 2018 the project achieved fully data quality and data correctness in compliance with ECB and OeNB requirements.

In order to adhere to the New Default Definition regulations, the application "GWB-CDI past due engine" was updated according to new rules (i.e. new thresholds, overdue amount, days-counting) successfully during 2018 while even existing local past-due applications were decommissioned in parallel.

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 comply and are 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 centres 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;
- provides immediate technical support for the ICT devices allocated to Top Management;
- sets the annual 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 2018, the office managed a global portfolio of infrastructure projects for a total value of EUR 83 million. The major projects launched were based on the technical requirements expressed by bank stakeholders, UniCredit Services units, and bank branches. These projects are run within the frameworks of Transform 2019, regulatory requirements, and internal UniCredit Services requirements.
The project approval process within the Tech office has been streamlined and is managed on the basis of company rules. In addition, the team also acts as an interface to the Audit function on behalf of the Tech teams, including V-TS. In 2018 more than 80 mitigation actions were handled by Tech.

Tech Project Management

In 2018, the Tech Project Management team managed 110 projects, both small and large, targeting central ICT infrastructure (CICT) and distributed technologies (DICT). The projects related to Italy (for the most part) followed by Germany, Austria and the CEE area. In parallel, Tech Project Management provided support on infrastructure issues in complex projects led by other divisions (e.g. CIO, Security, Real Estate). Various Tech Project Management team members were involved in the Gibson 2.0 Transformation project, which is part of the Group's Multi-Year Plan. Projects directly managed included Gibson 2.0, Obsolescence (Innovamus), XFrame C0 Offloading, Windows 10 migration, Munich Campus Transformation, Closure Project, Smart Working (Rome, Milan, Trieste and Bologna), Hungary domestic network upgrades, PostBank relocation, iFaber migration.
Tech Project Management also supported external projects such as the GDPR and Phoenix (Shanghai).
The team also acts as an advisor and centre of expertise on infrastructure issues, including activities and problems not covered directly by project initiatives.

Distributed ICT

In 2018 the transformation and technology and business upgrade program, launched at the end of 2017, continued with the aim of implementing the Transform 2019 objectives, including the Transform Operating Model pillar, in particular.
The analysis of Distributed ICT processes was aimed at:
1. improving customer experience,
2. automating the activities.

Projects have been launched to implement the Digital Workplace Transformation, in accordance with customer requirements and colleagues in the Banks; plans to implement the new Microsoft Windows 10 operating system have also been launched, for which a new individual rights allocation model has been defined with the aim of giving staff greater performance and more appropriate functionality for their personal tasks.

In 2018 the following specific actions were implemented in order to improve the performance of devices allocated to users:
- improvement of logon times;
- measurement of device performance.

To enable better control of the assets managed by Distributed ICT, a process has been defined for the monitoring and reporting of devices in the various countries. It emerged that 112,000 devices - including desktops and notebooks - are currently in use.

Client Services (Continued)

Tech (Continued)

With a view to improving technological performance in UniCredit branches, a Branches Taskforce has been set up with the aim of improving the technological structure, service delivered to clients, and the overall user experience.
The task force, coordinated directly by the CEO of UniCredit Services, involves various areas including Tech and CIO CB&Italy, with the support of the Transformation Office, Real Estate, Security, Risk Management, Legal, Compliance and CFO areas.
The main activities of the task force included:
- upgrading the network bandwidth for the Italian branches;
- replacing approximately 8,000 old devices with new ones that are compatible with Microsoft Windows 10, in the Italian perimeter;
- upgrading the RAM for approximately 5,600 devices in the German branches;
- installing GSM repeaters in the Italian branches, to improve the network service.

2018 also saw the implementation of the new mobility management strategy, with the aim of guaranteeing secure access to the UniCredit business environment while exploiting the potential of mobile devices, and providing a better user experience. A new user profile has been implemented. This will allow, through a company mobile device, management of business and personal data and apps, through segregated environments. Certification has been completed for the new, single, centralized management platform for mobile devices (tablets and smartphones).

ICT Solutions & Capacity

During the year, the ICT Solutions & Capacity unit was responsible for:
- the technical management of data centres relevant to UniCredit Services activities, maintenance of relative delivery services, and relative budget management
- management of relations with the Outsourcer V-TS
- the identification of technical solutions to be ordered from the outsourcer
- the optimization of ICT infrastructure use
- monitoring of consumption of ICT infrastructure services supplied by the Outsourcer.

Markets Infrastructure Management

During 2018, Markets Infrastructure Management reached important objectives, both in terms of internal improvements and in client support (130 projects completed), including:
- *Vendor consolidation:* the areas involved relate to external support and hardware/software maintenance. Supplier consolidation has resulted in:
  - A reduction in operational and project costs (also taking into account the optimization of taxation);
  - Preparation for fulfilling the strategic target, based on three pillars: Automation, DevOps operating model and Distributed Agile;
  - A review and dismantling of hardware activities such as migration from Solaris to Virtual Systems or Linux Cluster.

- *Migration:* the major migrations during the year related to:
  - The separation of UniCredit Services Branch Poland from Bank Pekao S.A.
  - Movement of the Munich Campus Transformation traders.

- *MIFID2 trading clock synchronization:* this comes in the wake of the new MIFID2 regulation authorised by the EU, which requires trading systems and applications to be synchronized to the microsecond. UniCredit has implemented projects in Italy, Germany and the UK in order to find a solution, in a record time of two months.

Transformation Program

The Gibson 2.0 program covers 53 initiatives planned over the 3 years 2017-2019, aimed at introducing new technologies able to improve the effectiveness and efficiency of the services offered by UniCredit Services, at a lower cost.
The industrial and economic objectives for 2018 focus on all projects, and only two are behind schedule: the migration to Cobol 6 of the mainframe programs and the migration of the open system windows and linux images to cloud on premises.

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 damage 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, Procurement is tasked with:
- active participation in Group projects aimed at implementing and/or changing security solutions and is responsible for assessing, developing, updating, and monitoring all Security matters, both directly and through specific service contracts;
- supporting, as necessary, the Holding units in drafting global security rules (technical instructions) to be issued by the Parent Company;
- steering the governance of security, in line with operating targets;
- coordinating and updating the ICT security risk assessment process, 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;
- acting as the Group specialist for the development of security solutions, for its area of competence, also through the mass evaluation of data and trends on security issues, in line with the competent Parent Company units;
- setting security standards and designing 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;
- outlining and implementing, as necessary, specific methodologies and metrics in line with the Parent Company guidelines, in order to furnish security solutions able to mitigate any operational risk faced by the company and the Group as a whole;
- providing physical 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, in coordination with the Parent Company unit;
- providing a fraud prevention service, including the identification and design of prevention solutions, detection systems, and service maintenance, and “Risk& Fraud analysis processes for the “Direct Channels” and “Cards Issuing/ Acquiring” business, aligned with Parent Company structures involved;
- conducting 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;
- supporting the development and implementation of suitable anti-fraud systems and tools for Core Banking;
- designing and developing 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;
- ensuring 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;
- developing and managing 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;
  - guaranteeing the proper functioning of profiles.
- interacting with, and reporting all necessary information to, the competent Parent Company units to ensure the implementation of an integrated security service model;
- handling 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;
- supervising and coordinating business continuity, pandemic risk management, crisis management, and disaster recovery activities, in accordance with Group policy, involving:
  - the guaranteed development, maintenance, 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;
  - guaranteed management of the incident escalation process and the timely activation of all business continuity, pandemic risk management, crisis management, and disaster recovery plans, coordinating with competent functions handling business continuity and disaster recovery solutions and the Parent Company’s BC&CM function, in a crisis;
  - contributing to and monitoring security education programs for the UBIS area.

Client Services (Continued)

Security (Continued)

The following initiatives were developed and supported over the year:

- Infrastructure security measures were strengthened to protect the network external attacks (implementation of an Anti-DDoS system in Hungary, New York, Singapore, London and Austria, upgrade of the certified email system and segregation of ATMs in Germany, Austria, Hungary, the Czech Republic and Slovakia), with mitigations on servers
- Administrator rights were removed for all endpoints in order to reduce the risk of malware and security threats due to the use of unauthorized software
- Standardization of security measures in Austria (Anti-APT, Anti-Spam and Proxi)
- Upgrading of log collection and monitoring of alarms on infrastructure systems and GDPR applications identified in the risk perimeter for 2018
- Extension of the behavioural security solution, to boost monitoring levels within the Italian Legal Entities
- Implementation of new functions in the Italian online banking perimeter, and for credit card security with the option of creating customized blacklists
- Implementation of security measures designed to ensure compliance with SWIFT-CSP and PSD2 directives
- Strengthening of access management measures, to comply with ECB guidelines, ensure the standardization of policies and procedures to manage privileged users, and provide single-sign on, multi-factor authentication and risk-based authentication
- Implementation of a global framework of controls by issuing metrics designed to control the security levels of specific assets.

Procurement

The Core Service Function (CSF) Procurement 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 Holding 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 guideline;
- 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;
- Designing, maintaining and managing processes with a view to continuous improvement, ensuring periodic process certification;
- Supporting buyers and suppliers in marketplace sourcing (use of platform, process/regulatory compliance, inclusion on supplier register) and for supplier qualification.

CSF Procurement launched a transformation program in 2018, with the exit of i-Faber from the Group; simultaneously, negotiations were started with Accenture for the ongoing provision of e-sourcing services, continuing with internal reorganization focusing on the following issues:

- Simplified, upgraded interaction with the Business thanks to the matching of macro-categories and the Group's business/geographical areas;
- Revision and standardization of cost categories, to obtain greater synergies and reduce fragmentation;
- Global negotiations were managed with the aim of promoting standardized products and services, leveraging the Group's volumes;
- Evolution of governance, with a review of purchasing, planning and monitoring processes in order to improve operational efficiency and exercise more efficient controls.

(Figures to November 2018) The trading total was 1 billion and 550 million, of which 1 billion was traded on the online marketplace.

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 UniCredit Services' 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**. This unit plays a supporting role in outlining the global operations service model and steers its implementation within UniCredit Services. it identifies, steers, and coordinates cross-functional Customer Operations Management projects and initiatives aimed at streamlining, standardizing, and optimizing activities/ procedures nad guaranteeing on-going improvement, also using the Lean Six Sigma method; it also provides support for the standardization and rationalization of the company's Operational Reporting System).
  In 2018, Operations Development worked on key process digitalization and automation initiatives at the UBIS and Group levels, pushing ahead with the **Document & Case Management** digitalization program and continuing with **RPA (Robotic Process Automation)**. Various rooms were set up as part of the **E2E Transformation 2019** program, in which the unit lent its skills and expertise for the review and optimization of the business, enabling greater collaboration between business and back-office functions. The RPA program kicked off during the year with the identification of the technological solution and the launch of the first projects. They enabled a target operating model to be built and rules of engagement to be outlined for the different areas involved. An interdisciplinary **Centre of Excellence** was set up in order to allow the industrialized automation and build a strong framework to develop and increase process automations. Staffing is currently being finalized. Building on our internal expertise, a **performance management** and E2E reporting system was introduced, through which process KPIs that can be shared, analysed, and monitored, with information updated daily for both business and back-office functions.

- **Operations Capacity Management**. Swhich 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 2018, OCM managed and coordinated the International Process Consolidation (iPC) initiative for the consolidation of Global Hubs; and analysed 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 it managed the Operations budget and planning initiatives, in line with the T19 targets.

- **Investment Banking Ops Mgmt**. Acts as the single entry point for the client relationship with the CIB Division, in relation to operations services provided; it ensures that service delivery meets the SLA agreed with the Clients; and it checks that services always comply 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 2018. Investment Banking Ops Mgmt started to close down the London site, having already started the process for the definitive closure in 2019.

- **"Branch Romania" e "Branch Poland"** are responsible for:
  - dealings, including legal disputes and litigation of any kind, with institutions, authorities, government bodies, and local organizations, including 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 rule;
  - 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; ensuring that organizational models set at the central level (delegation/ sub-delegation frameworks and Parent Company guidelines) comply 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** (Austria, Germany, Italy, Poland and Romania). It is mainly 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.

The main results delivered in 2018 by Customer Operations Mgmt Branches included:

CZ/SK:
The carve-out of Customer Operations Management CZ/SK from UniCredit Services to the Bank has been completed.

Germany:
The transfer of activities into and out of the scope of the Germany area was completed; Staff downsizing was managed successfully; A new organizational framework was introduced; and new opportunities identified for efficiencies and synergies both internally and with respect to clients.

Italy:
Business Transformation & Operations Italy continued the optimization and streamlining of processes, strengthened by the consolidation of the global hub and the re-engineering and digitization of processes; BT and UniCredit Services back-office activities were consolidated, involving their streamlining and rationalization; the HR Platform initiative, to support capacity balancing in Operations and Commercial Banking Italy locally, is in the closedown phase. The project will be concluded towards the end of 2018, with an exchange of 235 FTE.

Poland:
It was a year of growth for Credits GMBH Poland. A new business unit was set up, and a new Head of SS level 1 was appointed. With regard to the 5 pillars, it can be said: Customer First/ Risk Management - no audit finding still open in PL; People Development - 4 new TMRs appointed in 2018. New Black Belt certification in Operations Development PL; Cooperation and Synergies - task force in Certifications HVB for Romania (January/February), task force in Italy for Invoice Management (5 FTE); Execution and discipline h IPC 2018 plan is underway, activities transferred for 61 FTE.

Romania:
One of the main results of 2018 was the consolidation of the Global Hub for Trade Finance Italy operations. This lays the foundations for the centralization of residual operations in the Italian perimeter. Centralization has also started for Correspondent Banking AML, for the Italian client UniCredit SpA while the transfer of AML operations was completed for UniCredit Bank Austria GMBH.

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, executing and monitoring Real Estate projects;
- planning and providing facility management services in core countries 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 portfolios used by the banks;
- supporting clients in carrying out real estate projects through advisory, program management, and specific real estate services;
- or 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 UniCredit SpA;
- 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, the Logistics team is also part of the Real Estate service line. For the UniCredit Services units, it is responsible for:
- sourcing and managing - for company employees and the employees of external companies operating within UniCredit Services - 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);
- coordinating the management of company car parks (e.g., allocations, passes, etc.);
- overseeing the centralized management of consumables and their distribution;
- assuring 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.

During 2018, following the reorganization of Group Demand, Cost Management & Procurement, the Operational Demand team joined Group Real Estate. This was seen as the natural solution to replicate a model currently used within UniCredit Services, to encourage operational synergies between the two companies. The activities were split between two teams, Logistics and Branches Equipment & Logistics, with the following responsibilities:

Logistics:
- dealing with demand management in relation to hardware and software in its area, and other goods and services managed centrally for all UniCredit S.p.A. Units, and those for Top Management;
- dealing with demand management for distribution and transport (e.g. correspondence, bank documents and other material) among the operational sites, and managing contracts and relations with external suppliers;
- coordinating and managing service vehicles and cars for personal and business use.

Branches Equipment & Logistics:
- checking requirements and controlling the provision of technologies normally used by bank branches such as ATMs, queue managers, multi-function booths etc.;
- coordinating and managing logistics operations for branches and customers such as archives, postal expenses and contract management - also monitoring the agreed service levels - and relations with external services.

During the year, Real Estate & Logistics focused on the following main activities:
- the sale of the non-core portfolio, involving transactions for over EUR 800 million (in Italy, Germany, Austria, and CEE countries);
- smart working space rationalization and redistribution projects, for core Group real estate in Italy (Rome and Trieste), and in Europe (Vienna, Munich, Warsaw and also in other CEE countries);
- 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 divestment of non-core real estate; during 2018, 45 property transactions were carried out, to a value of EUR 64.4 million, while a preliminary sale agreement was signed for the Palazzo Mancini in Rome, to the value of EUR 55 million. The buy-back of 39 properties used by the Group as bank branches was also completed in 2018;
The buy-back, worth EUR 123 million, generated savings of EUR 6 million in 2018.
In relation to core properties, there were excellent results from the "Kill The Rent" project which generated EUR 2.4 million during the current year.

Real Estate Italy & Logistics is continuing on the path it embarked on in 2011, to upgrade the office space in its main business centres according to **Smart Working**, a new concept for the design and management of space based on "shared economy", moving away from exclusive use towards free-access workstations. 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).
The Rome City Plan continued in 2018, involving 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 smart working upgrade of 13 floors at Largo Fochetti was completed, as well as 4 floors at Largo Anzani.

April 2018 saw the completion of UniCredit's "Trieste City Plan", with the delivery of the new Trieste branch 'UniCredit Cassa di Risparmio' located in Via San Nicolò. The project involved a total of 6 sites with more than 180 staff, at an investment of over EUR 4 million. Overall the space has been optimised, reducing the occupied floor area by 8,300 square metres which is estimated to give savings of 590 tonnes of CO2 and cost savings of EUR 1 million annually.

Globally, the upgrades of the medium and large sites released floor space of 26,000 m2 making a contribution to savings of EUR 5.8 million, of which EUR 2.8 were already seen in 2018.

Following the 2017 analysis phase, Real Estate Italy & Logistics also continued to support the transfer of credit pledging operations to "Custodia Valore", a member of the Dorotheum Group, by segregating branches or setting up new offices where segregation was not possible.

December saw the award of a contract to source a new partner to carry out energy audits between 2019 and 2021 **on the larger properties and on the branch network**. The same partner will support the business unit in **monitoring** the ***real time* curves of electricity consumption** via a "low cost" platform provided by Vodafone in partnership with Acotel. The roll-out across 800 branches was completed in December. These branches are added to the 1,200 with an Adverto remote control platform, which enables set-point configuration and the adjustment of switch-on times from remote systems, thus enabling monitoring of the proper application of guidelines by promptly reporting faults to the maintenance team, and applying the contractual KPIs set for energy management.

Real Estate Italy & Logistics was the main partner for Commercial Banking Italy, in optimizing and upgrading the branch network, covering each phase of the value chain from developing the physical layout concept that best suits the service model designed by Retail Sales & Marketing, through to defining the standards and guidelines for realization, design of each branch, and project management. Throughout all these activities, a single Project Management team will control all the works from the realization of a "flagship" through to the mass roll-out of automated models (Smart and Cash Less), while giving the Retail Sales & Marketing team a single interface and standard monitoring for all activities that may impact the network.

This approach was used to reach the Transform 19 targets **to optimize the retail branch network, with the closure of a further 197 branches** (compared to the 159 in the 2018 plan), which gives a total of 2,466 retail branches nationally. The savings impact in 2018 is estimated at EUR 13 million.

The optimization of the national retail footprint was accompanied by a transformation and modernization program. 36 restructuring projects and format upgrades were completed, with EUR 30 million of works carried out on the target branches, to create new workstations for personnel coming from the closed branches. Layouts were reorganized, direct channels were improved by creating new "self" areas, fast tills were installed, ATMs upgraded, and the freed-up properties were vacated and reconditioned.

Client Services (Continued)

Real Estate & Logistics (Continued)

In addition to the branches that were restructured to accommodate staff and operations from the closed branches, a further 34 branches were upgraded for retail purposes, with "RUN LIGHT" projects including the introduction of the Open concept, particularly in the customer-facing areas, with a total cash-out of EUR 7 million.

2018 also saw the launch of two new initiatives. The first was the test, at the *flagship* branch in Piazza Gae Aulenti, of a new "prime" branch which offers an outstanding customer experience and is an innovative platform for customer acquisition. From a Real Estate point of view, the project involved redesigning the reception and waiting areas (new Customer manager station and repositioned waiting area), the upgrade of the Self areas and streamlining of the transaction functions (improved Self area and counter, staffed according to footfall) and finally upgraded window visibility and communications.

The second project was the evolved Self area, which took the brand to Piazza Cordusio in Milan, where it occupies a high-visibility window in a property overlooking the square from the side opposite the old UniCredit building which has just been restructured to accommodate the flagship stores of retailers such as Uniqlo and Yamamay in 2019. The Self area is fully automated and features innovative technological content: as well as the evolved ATMs, UniCredit can now use the fast counter to make cash payments and perform other operations. For the first time in a Self area, the new totems can be used for online banking. The space has been designed to be highly visible from the outside, and is distinguished by the UniCredit signage and colours.

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 170 Smart Branches and 150 Cashless Branches have been created. At the same time, the stock of machines has been renewed with the installation of 190 express tellers and the enhancement of 100 evolved ATMs.
In addition to supporting the evolution of models, UniCredit Services Real Estate regularly identifies specific actions based on reports by branch managers, to ensure that branches that are not undergoing model changes remain functional. This may include replacing furniture, painting, and any replacement or adaptation of fixtures and fittings (air conditioning, waterproofing etc.). With this model, a total of 2,600 property refurbishments, decorations and extraordinary maintenance projects were completed in 2017-2018. This is a major endeavour, to support the work of our customer-facing colleagues.

In 2018, the Logistics unit worked primarily on:
- the moves need to make the business units more compact, to transfer staff working in the Rome City project offices (UniCredit Services and UniCredit SpA);
- the ordinary management of hardware, mobile phone, and company car distribution and collection activities;
- the rationalization and management of archives and warehouses.

Work continued during the year on the pre-release of the new company fleet management platform and on 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.

In line with the Group's risk appetite strategy and with a view to providing pro-active support to the HR Health & Safety department, a program is underway that will drastically reduce the time needed to map workplace risks (asbestos, radon gas and ceiling stability) across the entire Italian property portfolio, with a three-year target compared to the previous timeframe which was approximately ten years.
In view of the significant increase in these risk maps, there is likely to be an increase in the number of corrective actions needed to mitigate the identified risks. The repercussions of these remedial works will presumably continue beyond the three-year timeframe.

Austria
Following completion of the Campus relocation, which was completed over 12 weekends in the summer of 2018, 5,300 staff have been moved to Rothschildplatz 1 & 4; the Group's policies on space management in terms of desktop sharing have been implemented in both buildings.
Defect management works started in 4Q 2018 and claim management is also fully underway.
The collaboration with Caritas led to an increase in donations in Austria (tables, chairs and cabinets) by UniCredit Bank Austria.
The sale of the old Headquarters (Lassallestrasse 1 and 5) was successfully completed, releasing 150k m2 of office space. The property digitalization projects planned for 2019, such as the *Real Time Occupancy Monitoring* project, were launched in the final quarter of 2018.
Plans for the retail network focused on the further upgrading of branches, and the opening of a new branch was another highlight.

The ISO 14001 certificate was renewed for UniCredit Bank Austria, based on an internal and external environmental audit conducted by Quality Austria.
On 01.10.2018, the Real Estate & Logistics unit of UniCredit Services Gmbh was incorporated into the Cost Management unit of UniCredit Bank Austria, through a merger with Real Estate & Logistics of UniCredit Bank Austria.

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.
Most of the restructuring work at the Tucherpark site was completed according to schedule, and 1,300 people from the lower building at Arabellapark have already been transferred to Tucherpark as planned. To support the current Campus planning, there has been a strategic consolidation of the workplaces involving the Munich Tucherpark and Unterföhring Quadriga sites, relating to the German branch of UniCredit Services S.C.p.A..

CEE and Intl Network

CEE Area

As part of the transformation of the central offices (Head Quarters - HQ) of UniCredit Services Poland, which are the target of Smart Working projects, 2018 saw the completion of the Warsaw and Łodz offices. This involved the transfer of 370 HC to two new buildings with a total floor area of 2,900 m2. The Warsaw HQ project was successfully completed, and is now the Group’s best smart working implementation in terms of cost and space efficiency.
2018 also saw the approval of plans to consolidate the central offices and implement smart working in Budapest and Mostar; these projects will be completed in 2020.
The agile transformation of Zagrebac˘ka banka in Croatia will be supported by works started to consolidate the central branch in Zaghreb with the support of Group Real Estate. In addition, 2019 will see the start of optimization of the UniCredit Services offices in Bucharest.
Consolidation, standardization, and new international tenders for the supply of furniture and furnishings for CEE countries have also delivered major cost savings.

CIB International Network

Group Real Estate has supported Corporate & Investment Banking (CIB) since the launch of the real Estate portfolio plan for the international branches.
As part of the global program of space optimization, which will be implemented over the coming years in various locations, 2018 saw the completion of a contract negotiation for the London headquarters. This is expected to generate significant overall cost savings.

Equity Investments

Wholly-owned Subsidiaries

UniCredit Services GmbH

In line with the change of name of the parent company, UniCredit Business Integrated Solutions Austria GmbH was renamed UniCredit Services GmbH in June 2018.

From 1 October 2018, the Real Estate & Logistics division was transferred to UniCredit Bank Austria AG. The purpose of the operation is to streamline the two real estate operations of UniCredit Services GmbH and UniCredit Bank Austria AG and the direct real estate costs, and to simplify the management in terms of creating a single point of reference for UniCredit for real estate in Austria, at UniCredit Bank Austria AG. At the time of sale, the division employed 70 FTE and managed 20 third-party contracts and other items of lower value. From October 2016, the sale meant that there was no need for the facility management services agreement, under which UniCredit Services GmbH provided real estate and logistics services to UniCredit Bank Austria AG. The purchase price was determined on the basis of an external valuation of €2,800,000.00. Net of the nominal liabilities existing on 30 September 2018, a cash sum of €1,887,427.34 was transferred by the buyer UniCredit Bank Austria AG to UniCredit Servizi GmbH.

In “BA Reloaded”, UCS GmbH was asked to reduce the costs to Bank Austria by about one quarter. The UCS GmbH projects included, for example, deactivating the applications, consolidating the TIC suppliers or optimizing licenses, ownership of the governance units but most importantly, efficiency improvements in the operational areas. Nearshoring of operations continued for CBMM and TP, and this will lead to savings of approximately EUR 50 million by the end of 2019. The necessary measures to reduce the workforce at the Vienna branch have been planned, together with the necessary increase in neighbouring countries (Romania and Poland). The objectives and projects for 2018 have been implemented. The corresponding transformation projects have also been included in the program. The projects supported jointly by Bank Austria basically include cost savings in UCS GmbH thanks to the planned downsizing of the bank’s branches and workforce, and simplification of the products and service model of Bank Austria. 2018 saw the merger and transfer of (almost) all the members of the UniCredit Austria Group to the two new buildings at Rothschildplatz 1 and 4.

This site has created 3,980 jobs, 1,200 potential jobs, and 150 meeting rooms. The transfer of 5,345 staff and 16 legal entities was completed in 11 waves, from March to the end of June 2018, with no interruption to business.

To support the Smart Working concept, UCS GmbH ICT and others offer the following services:
- Follow-me printing: documents will print on any printer inside the building, with total privacy
- RESY meeting-room booking system
- Full Wi-Fi coverage in both buildings on Campus Austria
- Skype for Business: video calls at meetings
- Softphone, mobile or Skype for Business telephony and videotelephony

30,000 linear metres of the central archive were also transferred (originally 70,000 linear metres, this was reduced during the DIPS), 6,000 linear metres of the historic archive and 5,500 works of art. This was followed by the launch of the Campus defect management project. The data centres were moved from Data Center 1 Schottengasse 6 to the Data Center on demand 21 (ODC21) and from the Data Center 2 Lassallestraße 5 to Computerstrasse 4 (DC South). Both were successfully completed. The two new data centres are now accommodated in modern external data centres, each with a dimension of 200 m² and 210 m². Before each move, all the components (server, storage and network) are carefully checked. The number of components to move can be significantly reduced by deactivating the redundant back up systems, or, where technically feasible, by migrating the existing systems from Vienna to Verona.

RE transactions

The following sales were completed: Nordbergstrasse 13, Lassallestrasse 1 and 5, the Schottengasse 6 and the sale of 11 small and medium objectives. Branch Weiz and private banking at Schubertring were then opened. Adjustments were made in 30 branches, for the new business model (Transform 2019) plus various refurbishments relating to heating, cooling, hydraulic system ventilation and electrical material. New tenders were held in relation to technical equipment for building, fire alarm systems and landscaping maintenance throughout Austria. Paper disposal has been converted in all branches, to ensure that it is disposed of in data protection containers.
In 2019 the necessary adaptations will be carried out for the occupation of the campus, due to changes in the organizational structure, implementation of structural improvements, and the commissioning of the events centre at Rothschildplatz 3.
In the branches, and in other offices, the Transform 2019 branch projects will continue (changes to the business model).

There will be an adaptation and optimization of the internal processes and interfaces due to the bank's integration. This will lead to a change in the management and maintenance of the service provider in Austria. Digitalization will also be implemented across Austria, with the introduction of eQSS systems. An online inventory management will be introduced, with the partial conversion of the help desk to a ticket system.

Improvements in the field of IT security

In order to continue the development of rights of access and IT security processes, Security has implemented various projects as part of UniCredit Holding's multi-year plan. The FARM.AT. Project has been launched, in which existing rights of access will be reviewed and reorganized. This will lead to legal standardization, among other things. In addition to cancelling email and module-based rights requirements, the integration of access rights into a central request tool will allow the implementation of control and automated recertification campaigns, and the creation of ad hoc reports. As part of the "Boost Austria" program, Cyber Security has implemented a series of Group-level security server-based solutions to support the services of Bank Austria. This includes email security solutions (anti-spam, anti-APT), web content filters, data loss prevention, and thorough patch management controls.

Equity Investments (Continued)

Associates

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 Services 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 Services 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 Services in all matters and decisions affecting the quality and cost of the service provided.

On December 23, 2016, a Restatement and Amendment Agreement was made by UniCredit Services 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 3 years, until 2026;
- revise volumes to include effective consumption in the baseline;
- the revision/adjustment of the catalogue prices applicable for services provided under the agreement;
- the outline of 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.

In detail, the Gibson 2.0 program covers 53 initiatives planned over the 3 years 2017-2019, aimed at introducing new technologies able to improve the effectiveness and efficiency of the services offered by UniCredit Services, 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. To date, a number of workstreams have been successfully concluded, including:
- "Mainframe z 14" migration completed;
- anti-DDOS Security Solution in place;
- relocation of the Austrian DC completed.

March 2018 saw the signing of the first post Gibson 2.0 contract amendment, intended to formalize:
- the Interim Period activities and the Transformation Program (updating of the UniCredit Services policy, extension of the Service Catalogue, regulation of the Fast Track process for CEE countries, etc.);
- contractual amendments resulting from the daily interaction with V-TS designed to improve the management of relations with the supplier (new governance model);
- the new Italian Data Center Agreement, following the positive outcome of the application to the Revenue Agency filed on 2 August 2017, relating to the adoption of the "Availability" contract model.

In conclusion, the new DPA (Data Processing Agreement) has been signed by UniCredit Services and V-TServices, enacting Regulation (EU) 2016/679 (GDPR).

Subsidiaries and relateded companies subject to sale during the financial year 2018

Uni IT S.r.l.

3 October 2018 Unicredit Services S.C.p.A. has sold 51% of the shares of the company UNI IT S.r.l. at the price of 749,387.76 to the company Argentea S.r.l. (GPI Group).

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

9 April 2018, Accenture Managed Services S.p.A. already owner of 51% of the shares of ABAS SpA has exercised the right of option for the purchase of the remaining 49% of the shares held by UniCredit Services S.C.p.A. at the strike price of € 1,210,000.00 already provided for in the current shareholders' agreement. The purchase ofthis minority share was finalized on 24 April 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) to provide Human Resources management services under the service agreement made on April 24, 2012. UniCredit S.C.p.A. holds a 49% equity interest in the company.
The 15-year service agreement between ES Shared Service Center S.p.A. (ES SSC) and UniCredit Business Integrated Solutions S.C.p.A., (now UniCredit Services S.C.p.A.), governs the provision of admin services for the staff in the UniCredit Group.
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.

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.

On 20.01.2018 Enterprise Services Italia S.r.l., ES SSC, UBIS S.C.P.A. (now UniCredit Services S.C.p.A.) and UBIS GmbH (now UniCredit Services GmbH), signed a Settlement and Term-sheet Agreement" or "STA" which allows Italy to exercise the Termination for Convenience, effective from 1 July 2018, with ES SSC services to be supplied for the following 6-month "Italy Post Termination for Convenience Full Services Period", followed by a further three months of the "Italy Smooth Transition Period" with resulting payment of the Termination Fee. Under the terms of the STA, UniCredit Services GmbH can exercise the Termination for Convenience from 1 July 2019, while ES SSC will continue to provide its services as amended in the STA.

UniCredit Services S.C.p.A. exercised the Termination for Convenience with effect from 1 July, without requesting an extension of the Italy Post Termination for Convenience Full Services Period, and waived the put option currently in place, relating to the possible sale of UniCredit Services S.c.p.A.'s share in the ES SSC joint venture, which amounts to 18 million.

Under Art. 11 of the Shareholders' Agreement, the exercise of the Termination for Convenience will result in the UCS shareholder selling all its shares to the Hewlett Packard shareholder at a price equal to their nominal value of €58,800, by entering into a sale agreement by 31.12.2018.
At the end of the Smooth Transition Period (31.03.2019) the Termination Fee will be paid, of 4€/m plus VAT.

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

UniCredit Services, the service company of the UniCredit Group, has been admitted to the cooperative compliance regime pursuant to Legislative Decree n. 128/2015.
This follows the admittance of UniCredit S.p.A. and FinecoBank by the Agency in 2017, with effect from 2016, as the first banks to be admitted by the Agency. It further strengthens the Group's standing, with three companies now admitted, among the significant taxpayers operating as part of the regime.
The ordinance admitting UniCredit Services was issued by the Revenue Agency following a long process to verify compliance with all the eligibility requirements, including: the effectiveness of the internal system for the detection, measurement, management and control of tax risk.
In accordance with the legislation, UniCredit Services will be enrolled in the register of taxpayers operating in full transparency and collaboration with the Italian Tax Authority. The register is published on the Agency's official website.
This admission establishes an even closer relationship of trust and cooperation between UniCredit Services S.C.p.A. and UniCredit Group and the Revenue Agency that has been in place since 2017. It helps to further increase the level of certainty on significant tax issues while granting full transparency thanks to ongoing and early discussions regarding situations likely to generate tax risks for the Group.
This is a fundamental milestone showing the strength of UniCredit Group's accountability process, an important element of our fair and efficient fiscal strategy. Furthermore, UniCredit is also in the process of joining the tax cooperative compliance regimes of other tax authorities in the countries where it is present.

Subsequent events

On February 4, 2019, the Board of Directors approved the publication of the financial statements for 2018, compliant with IAS 10.
No events occurred which entail the restatement of the figures posted in the financial statements as at December 31, 2018.

Financial Position

(Amounts given in millions of €)

	12.31.2018	12.31.2017
REVENUES	**2,221.7**	**2,354.9**
NET INTEREST	2.8	2.5
DIVIDENDS AND OTHER INCOME FROM EQUITY INVESTMENTS	1.3	1.8
NET FEES AND COMMISSIONS	-1.8	-1.8
BALANCE OF OTHER OP. INCOME/EXPENSES	2,219.4	2,352.3
OPERATING EXPENSES	**-2,192.6**	**-2,289.9**
STAFF EXPENSES	**-448.7**	**-493.6**
- GROSS EXPENSES	-524.6	-563.4
- CAPITALIZED INTERNAL EXPENSES	76.0	69.8
OTHER ADMINISTRATIVE EXPENSES	**-1,441.7**	**-1,548.9**
OTHER DIRECT ADMINISTRATIVE EXPENSES	**-1,315.7**	**-1,420.0**
- GROSS EXPENSES	-1,587.3	-1,691.7
- CAPITALIZED EXTERNAL EXPENSES	271.6	271.6
OTHER INDIRECT ADMINISTRATIVE EXPENSES	**-126.0**	**-128.9**
EXPENSES RECOVERY	**46.6**	**84.4**
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES ON INTANGIBLE AND TANGIBLE ASSETS	**-348.8**	**-331.8**
GROSS OPERATING MARGIN	**29.1**	**65.0**
PROVISIONS FOR RISK AND CHARGES	**-4.9**	**12.3**
INTEGRATION COSTS	**-2.2**	**-47.5**
INCOME TAXES	**-4.8**	**-21.4**
NET PROFIT FOR THE PERIOD	**17.3**	**8.5**

Financial Position (Continued)

The company closed year 2018 with a **Profit** of €17.3 million, an increase of €8.8 million compared to 31 December 2017. **"EBITDA"** totalled €29.1 million.

"**Revenue**" (€ -133.2 million, -5.7%) dropped mainly due to the drop in revenue for rent revenues (sublease), for real estate services and IT services outsourced due to the new "cost allocation" scenario, to balances posted in September 2018 and to greater non-deductibility of VAT due to the Skandia law.

Lower "**Personnel cost**" (€ -44.9 million, -9.1%):
- lower "Gross costs" (-6.9%, € -38.7 million) mainly caused by the lower costs for wages and salaries (€ -26.7 million) and relative social security costs, incentive to leave plans (€ -24.3 million), partially offset by greater seconded personnel costs (€ 6.3 million)
- greater capitalisation (+8.9%, € 6.2 million) due to greater project activities.

Lower "**Other administrative costs**" Direct cost (€ -104.4 million, -6.2%) mainly due to the reduction in costs for IT services (€ -34.3 million), lower Real Estate (€ -49.9 million) costs and lower costs for administrative services and logistics (€ -13.7 million); capitalisation is in line with the previous year.

- The item "**Recovery of costs**" (€ - 46.6 million) mainly includes the recovery of costs from JV VTS S.p.A. (€ 34.3 million), third market customers (€ 9.5 million), P4CARD (€ 3.7 million), SSC (€ 2.3 million) and transnational revenue (€ 2.8 million);

- Greater "**Amortisation**" (€ 17.0 million, +5.1%) compared to last year mainly due to greater amortisation of application software (€ 26.6 million) and lower asset write-downs (€ -9.6 million);

- "**Provisions for risks and charges**" the amount of € 4.9 million is mainly from:
  - the "termination fee" for the Newton project for € 5.9 million;
  - the VTS SpA penalty of € 1.5 million;
  - the provision for tax dispute for € 1.1 million;
  - the provision for litigation for € 0.6 million;
  - release of the provision of € 4.0 million for local transfers advanced for Real Estate.

- "**Integration costs**": chiefly consisted of:
  - costs connected to the transition with I-Faber (€ 3.6 million);
  - costs for the Leslie and Lipsos projects (€ 0.7 million);
  - releases for the reorganisation of CIB and Operation (€ -0.8 million);
  - release of the Multi Year Plan in Germany (€ -1.3 million).

- "**Income taxes**" the item mainly refers to:
  - income taxes (€ 2.5 million);
  - provision to risks and charges for fiscal disputes related to income taxes, excluding interest and sanctions, recognised by the German branch (€ 2.3 million) and reclassified under this item for revenue analysis purposes.

Earnings Results

(Amounts given in millions of €)

	12.31.2018	12.31.2017
NON CURRENT ASSETS	1,841.1	1,738.0
Property, plant and equipment	*172.1*	*178.8*
Intangible Assets	*1,425.2*	*1,295.1*
Equity Investment	*53.1*	*54.7*
Tax Assets Prepaid	*83.1*	*93.1*
Other Non Current Assets	*107.7*	*116.3*
CURRENT ASSETS	1,001.5	1,013.8
Left-over Stock	*0.1*	*0.1*
Trade Receivables	*298.2*	*390.3*
Current tax payables	*18.4*	*9.2*
Other current assets	*232.3*	*226.3*
Cash and equivalents	*452.4*	*387.9*
TOTAL ASSETS	2,842.6	2,751.8
EQUITY	366.7	357.0
Share capital	*237.5*	*237.5*
Legal Reserve	*6.9*	*6.4*
Valutation Reserve and other reserves	*105.0*	*104.6*
Profit (Loss) for the year	*17.3*	*8.5*
NON CURRENT LIABILITIES	341.3	385.6
Long-term borrowings	*0.1*	*0.0*
Deferred tax liabilities	*0.4*	*0.4*
Personnel funds	*112.9*	*116.2*
Provisions for risks and charges	*63.5*	*84.6*
Other non-current liabilities	*164.4*	*184.4*
CURRENT LIABILITIES	2,134.6	2,009.2
Short-term borrowings	*1,599.8*	*1,399.8*
Current tax liabilities	*15.3*	*28.2*
Trade payables	*447.2*	*358.1*
Other current liabilities	*72.3*	*223.1*
TOTAL LIABILITIES	2,842.6	2,751.8

Earnings Results (Continued)

The comparison between figures at 31/12/2018 and those at 31/12/2017 show the following changes:

"Tangible assets" (€172.1 million) dropped by €6.7 million. Amortisation amounted to €59.8 million whereas new purchases net of sales amounted to €53.1 million.

"Intangible assets" (€1,425.2 million) increased by €130.1 million. Amortization amounted to €279.3 million. The new acquisitions net of write-downs and sales amounted to €409.5 million.

"Shareholdings", for € 53.1 million, dropped due to the sale of the share in ABAS S.p.A for € 1.1 million and in UNI IT S.r.l. for € 0.5 million, sold on 3 October 2018.

"Deferred tax assets" dropped by € 10 million mainly due to the repayment of foreign tax credits €16.4 million received in October 2018 and referred to the Single declaration 2018 relating to the 2017 fiscal year and to the allocation of IRES for the period of € 6.8 million. "

"Other non-current assets" fell by €8.6 million, almost exclusively due to the amortisation of costs for improvements to leased properties.

"Current assets" showed a decrease of €12.3 million mainly due to a reduction in "trade receivables" (€92.1 million) for ICT services and rentals; partially offset by greater cash liquidity (€ 64.5 million) due mainly to greater accruals on future assets and "current fiscal assets" (€9.2 million) due to direct taxes.

"Shareholders' equity" during 2018 rose by 9.7 million also due to period profit for € 17.3 million.

The decrease in **"Non current liabilities"** (€ 44.3 million) was mainly due to the decreases in the "Personnel Provisions" (€ 3.3 million) and "Provisions for risks and charges" (€ 21.1 million) mainly for reclassification under the item "Other non current liabilities" of the allocation for use of the Provisions for incentives to leave. The item "Other non current liabilities" decreased by € 20 million).

The increase in **"Current liabilities"** (€ 125.4 million) was mainly due to "Current financial debt" with the Parent Company increased by € 200 million for greater use of loans granted to us by UniCredit, partially offset by a reduction to Other current liabilities (€ 150.8 million) due to lower deferred income.

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, 2018 of UniCredit Services S.C.p.A..

The Income Statement for 2018 shows a net profit of € 17,272,049; available profit therefore amounts to € 17,272,049.

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	17,272,049
to the statutory reserve, pursuant to Article 2430 of the Italian Civil Code (5% of net profit, up to 20% of the share capital)	863,602
the extraordinary reserve	16,408,447

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	7,733,838
Valuation reserve	-99,778,569
Other reserves	221,216,822
Total shareholders' equity	**366,695,252**

Milan, February 4, 2019

For the Board of Directors

The Chief Executive Officer

Strengthen and optimise capital.

We will maintain a strong capital position by generating solid profit. We confirm our MDA buffer. The Group fared well in the EBA stress test results, with the third highest CET1 ratio among systemic banks in the Eurozone.

Annual Financial Report

Financial Statements

Statement of Financial Position

Balance sheet - Assets

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATION
NON CURRENT ASSETS	**1,841,108,012**	**1,737,948,917**	**103,159,095**
Property, plant and equipment	**172,056,271**	**178,787,043**	**-6,730,772**
Lands and Buildings held for functional use	4,320,202	4,468,473	-148,271
Plants and Equipments	117,590,460	122,873,644	-5,283,184
Industrial and Commercial Equipments	88,166	968,826	-880,660
Other Assets	19,373,021	20,918,115	-1,545,094
Assets in Progress and Advance Paymens	30,684,422	29,557,985	1,126,437
Intangibles assets	**1,425,237,542**	**1,295,103,713**	**130,133,829**
Industrial Patent Rights and use of intellectual Works	923,358,858	893,903,497	29,455,361
Concessions, Licences, trademarks and similar	59,797,985	66,304,520	-6,506,535
Assets in Progress and Advance Paymens	442,080,699	334,895,696	107,185,003
Available for sale assets	**1,000**	**1,000**	**0**
Equity Investment	**53,079,806**	**54,681,606**	**-1,601,800**
Majority Shareholdings	49,647,961	50,157,961	-510,000
Shareholding in subsidiaries companies	3,431,845	4,523,645	-1,091,800
Prepaid tax payables	**83,076,256**	**93,096,639**	**-10,020,383**
Other non current activities	**107,657,137**	**116,278,916**	**-8,621,779**
CURRENT ASSETS	**1,001,495,282**	**1,013,893,399**	**-12,398,117**
Left-over Stock	**64,238**	**64,238**	**0**
Trade receivables	**298,249,157**	**390,301,259**	**-92,052,102**
Trade receivables	34,046,500	160,202,209	-126,155,709
Receivables from subsidiaries	33,192,659	27,352,397	5,840,262
Receivables from parent companies	232,577,365	203,653,794	28,923,571
Receivables svalutation provisions	-1,567,367	-907,141	-660,226
Current tax payables	**18,409,558**	**9,231,998**	**9,177,560**
Other Current Activities	**232,326,455**	**226,325,112**	**6,001,343**
Cash and Equivalents	**452,445,874**	**387,970,792**	**64,475,082**
TOTAL ASSETS	**2,842,603,294**	**2,751,842,316**	**90,760,978**

Balance sheet - Liabilities

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATION
NET EQUITY	**366,695,251**	**357,036,129**	**9,659,122**
Share capital	**237,523,160**	**237,523,160**	**0**
Legal Reserve	**6,870,236**	**6,446,783**	**423,453**
Share Premium Reserve, Valuation Reserve, Other reserves	**105,029,806**	**104,597,129**	**432,677**
Profit (Loss) for the year	**17,272,049**	**8,469,057**	**8,802,992**
NON CURRENT LIABILITIES	**341,255,659**	**385,581,878**	**-44,326,219**
Long-term borrowings	**66,445**	**26,445**	**40,000**
Deferred tax liabilities	**350,755**	**350,755**	**0**
Personnel funds	**112,944,389**	**116,199,135**	**-3,254,746**
Employee severance indemnity	47,435,774	66,084,678	-18,648,904
Retirement provisions fund and similar obligations	65,508,615	50,114,457	15,394,158
Provisions for risks and charges	**63,480,502**	**84,648,860**	**-21,168,358**
Other non-current liabilities	**164,413,568**	**184,356,683**	**-19,943,115**
CURRENT LIABILITIES	**2,134,652,384**	**2,009,224,309**	**125,428,075**
Current financial liabilities	**1,599,829,222**	**1,399,828,778**	**200,000,444**
Current tax liabilities	**15,328,071**	**28,205,753**	**-12,877,682**
Trade payables	**447,162,511**	**358,062,589**	**89,099,922**
Due to suppliers	406,141,581	331,120,313	75,021,268
Due to subsidiaries	15,032,740	4,718,563	10,314,177
Due to parent company	25,988,190	22,223,713	3,764,477
Other current liabilities	**72,332,580**	**223,127,189**	**-150,794,609**
TOTAL LIABILITIES	**2,842,603,294**	**2,751,842,316**	**90,760,978**

Income Statement

Profit & loss

(Amounts given in €)

	12.31.2018	12.31.2017	VARIAZIONI
Revenues from sales and services	**2,284,640,009**	**2,416,027,409**	**-131,387,400**
Other revenues and incomes	**49,482,390**	**75,936,818**	**-26,454,428**
TOTAL VALUE OF PRODUCTION	**2,334,122,399**	**2,491,964,227**	**-157,841,828**
Costs for raw materials, subsidiary material, consumables and goods	**8,693,143**	**5,491,273**	**3,201,870**
Costs for services	**1,070,615,766**	**1,146,614,714**	**-75,998,948**
Costs for use of third-party assets	**349,399,429**	**391,667,249**	**-42,267,820**
Personnel expenses	**446,346,447**	**509,204,637**	**-62,858,190**
Wages and salaries	358,669,318	385,328,928	-26,659,610
Social securities charges	89,136,788	102,275,019	-13,138,231
Provisions for emploiment severance indemnities	1,137,810	1,252,487	-114,677
Accrual retirement provisions	10,668,259	12,502,008	-1,833,749
Other personnel expenses	78,158,199	88,602,867	-10,444,668
Recovery of personnel expenses	-15,459,196	-10,991,827	-4,467,369
Wages and salaries capitalized	-75,964,731	-69,764,845	-6,199,886
Amortisation and impoirment losses	**349,657,911**	**333,704,383**	**15,953,528**
Amortization of tangible assets	59,877,569	58,310,174	1,567,395
Amortization of intangible assets	279,336,478	255,966,413	23,370,065
Impairment losses	10,443,864	19,427,796	-8,983,932
Provisions	**7,151,554**	**-12,377,092**	**19,528,646**
Other operating charges	**85,646,898**	**65,014,600**	**20,632,298**
Total cost of production	**2,317,511,148**	**2,439,319,764**	**-121,808,616**
GROSS OPERATING MARGIN	**16,611,251**	**52,644,463**	**-36,033,212**
Financial income	**2,342,353**	**2,604,967**	**-262,614**
Financial expenses	**-841,625**	**25,386,103**	**-26,227,728**
Profit (loss) before taxes	**19,795,229**	**29,863,327**	**-10,068,098**
Taxes	**2,523,180**	**21,394,270**	**-18,871,090**
Current taxes	8,472,267	7,210,821	1,261,446
Deferred tax asset	-5,949,087	14,183,449	-20,132,536
PROFIT (LOSS) OF THE YEAR	**17,272,049**	**8,469,057**	**8,802,992**

Comprehensive Income

(Amounts given in €)

ITEMS	12.31.2018	12.31.2017
Profit (loss) for the year	**17,272,049**	**8,469,057**
Other comprehensive income net of taxes not reversed to Income Statement		
Property, plant and equipment		
Intangible assets		
Defined benefit plans	-7,612,926	16,537,353
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	**-7,612,926**	**16,537,353**
Total comprehensive income	**9,659,123**	**25,006,410**

Statement of Changes in Equity

Legal Entity/Branch

(Amounts given in €)

NET EQUITY VARIATIONS REPORT YEAR 2018	SHARE CAPITAL	LEGAL RESERVE	VALUATION RESERVE	OTHER RESERVES	PROFIT (LOSS) CURRENT OR PREVIOUS YEAR	TOTAL NET EQUITY
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 4.10.2017		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**
Movements for the year 2018						
Recording of UniCredit Business Integrated Solutions S.c.p.A. 2017 net profit to "Legal Reserve" and to "Other reserves" as approuved by shareholders'meeting held on 04.09.2018		423,453		8,045,604	-8,469,057	0
Valuation reserve: net income (losses) on defined benefit plans			-7,612,926			-7,612,926
Profit (Loss) of the period					**17,272,049**	**17,272,049**
Values at 12.31.2018	**237,523,160**	**6,870,236**	**-99,778,569**	**204,808,375**	**17,272,049**	**366,695,251**

Cash Flow Statement - indirect method

(Amounts given in €)

CASH FLOW - INDIRECT	12.31.2018	12.31.2017
A - NET CASH FLOW GENERATED BY OPERATIONS	**333,062,868**	**877,267,087**
Profit for the year	*17,272,049*	*8,469,057*
Amortization of property and equipment	*59,877,569*	*58,310,174*
Amortization of intangible assets	*279,336,478*	*255,966,413*
Variations in trade receivables	*92,052,102*	*-28,524,969*
Variations in trade payables	*89,099,922*	*-31,636,255*
Variations in personnel funds	*-3,254,746*	*-45,473,027*
Variations in current / deferred fiscal assets and liabilities	*-12,034,859*	*40,472,657*
Variations in provisions for risk and charges	*-21,168,358*	*-132,711,568*
Variations in other assets/liabilities	*-168,117,289*	*752,394,605*
B - NET CASH FLOW BY INVESTING ACTIVITIES	**-462,617,104**	**-476,591,366**
Investments in property and equipment	*-53,146,798*	*-41,512,894*
Investments in intangible assets	*-409,470,306*	*-435,078,472*
C - NET CASH FLOW GENERATED BY FINANCING ACTIVITIES	**194,029,318**	**-229,379,357**
Variations in share capital	*0*	*0*
Variations in reserves	*-7,612,926*	*15,645,626*
Variations in UniCredit S.p.A. Financing	*200,040,444*	*-245,026,532*
Variations in Equity Investments	*1,601,800*	*1,549*
CASH FLOW FOR THE YEAR (A+B+C)	**64,475,082**	**171,296,364**
TOTAL CASH FLOW	**64,475,082**	**171,296,364**
Cash and equivalents at the beginning of the year	**387,970,792**	**216,674,428**
Current accounts	*387,959,057*	*216,647,196*
Cash in hand	*11,735*	*27,232*
Cash and equivalents at the end of the year	**452,445,874**	**387,970,792**
Current accounts	*452,434,736*	*387,959,057*
Cash in hand	*11,138*	*11,735*

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.

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.

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.

Accounting Policies (Continued)

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.

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, which corresponds to the consideration for the service received.

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.

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.

Accounting Policies (Continued)

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.).

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).

Accounting Policies (Continued)

Income Statement

Revenue recognition

Revenues are recognized in the income statement based on the degree of fulfillment of the obligation to make contained in the contract in accordance with the provisions of IFRS15: Revenues from contracts with customers.
In particular:

- if the obligation to perform is fulfilled at a given time ("point in time"), the related revenue is recognized in the income statement when the service is rendered;
- if the obligation to do is fulfilled over time, the related revenue is recognized in the income statement to reflect the degree of fulfillment of the obligation.

The amount of revenue recognized for commission income and other operating income is measured according to the amounts envisaged in the contract.
If the amount established contractually results to be object, in whole or in part, to variability, the revenue is recorded in the income statement according to the evaluation of the most probable amount that the Group expects to receive.

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 matters

In 2018 the following standards, amendments or interpretations came into force:

- IFRS9 - Financial Instruments (EU Regulation 2016/2067);
- IFRS15 - Revenue from Contracts with Customers (EU Regulation 2016/1905);
- Amendments to IFRS4: Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts (EU Regulation 2017/1988);
- Clarifications to IFRS15 Revenue from Contracts with Customers (EU Regulation 2017/1987);
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (Reg. UE 2018/519);
- Amendments to IAS40: Transfers of Investment Property (Reg. UE 2018/400);
- Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (Reg. UE 2018/289);
- Annual Improvements to IFRS Standards 2014-2016 Cycle (Reg. UE 2018/182).

Transition to "IFRS15: Revenue from Contracts with Customers"

IFRS15, effective starting from 1 January 2018, endorsed by the European Union with Regulation EU 2016/1905 of 22 September 2016 (published on 29 October 2016), modifies the previous set of international accounting principles and interpretations on revenue recognition and, in particular, IAS18.
IFRS15 provides for:

- two approaches for the revenue recognition ("at point in time" or "over time");
- a new model for the analysis of the transactions ("Five steps model") focused on the transfer of control; and
- the request for a more detailed disclosure to be included in the explanatory notes to the financial statements.

The adoption of the new accounting standard could determine (i) the reclassification between lines of income statement used for presenting revenues, (ii) a change in the timing recognition of such revenue, when the contract with the customer contains several performance obligation that must be accounted for separately under the accounting standard, (iii) a different measure of the revenue in order to reflect their variability.

If the amount established contractually results to be object, in whole or in part, to variability, the revenue is recorded in the profit and loss account of the assessment of the most probable amount the Company expects to receive.
This amount is determined in light of all the facts and circumstances considered relevant for the purposes of the valuation, which depend on the type of service provided, and, in particular, in light of the circumstance that it is considered highly probable that there will be no significant adjustment to the decrease in the amount of revenues.

Finally, if a contract includes several obligations to make goods and / or services distinct and whose compliance profile is not the same, the amount received as revenue is divided between the various obligations to make in proportion to the relative "stand-alone" selling prices. The amount of revenue attributed to the various obligations to make is therefore recognized in the income statement on the basis of the related fulfillment.

Based on the analysis performed, no major impacts have been detected by the adoption of IFRS15 on current economic and financial volumes.

Transition to "IFRS9: Financial Instruments"

IFRS 9 - Financial Instruments (published on 24 July 2014), includes the results of the IASB project aimed at replacing IAS 39 which:
- introduces the new criteria for the classification and measurement of financial assets and liabilities (together with the assessment of the non-substantial changes to financial liabilities);
- with reference to the impairment model, the new standard requires that the estimate of losses on loans is carried out on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using information that can be supported, available without charges or efforts. unreasonable that include historical, current and future data;
- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, change in the method of accounting for forward contracts and options when included in a hedge accounting report, changes to the effectiveness test)

Also with reference to the other amendments to the standards and / or clarifications, the Company has not registered effects from the application of the same.

As of December 31, 2018, the European Commission approved the following accounting standards applicable to reporting with entry into force astarting from or after 1st January 2019:
- IFRS16 - Leases (EU Regulation 2017/1986);
- IFRIC Interpretation 23: uncertainty regarding treatment for income tax purposes (EU Regulation 2018/1595);
- Amendments to IFRS 9: Elements of advance payment with negative compensation (EU Regulation 2018/498).

Based on the analysis carried out, no impacts were found deriving from the adoption of the IFRS9 standard on the current balance sheet and income statement.

Revenue recognition

Revenues are recognized in the income statement based on the degree of fulfillment of the obligation to make "contained in the contract in accordance with the provisions of IFRS15: Revenues from contracts with customers.

In particular:
- if the obligation to perform is fulfilled at a given time ("point in time"), the related revenue is recognized in the income statement when the service is rendered;
- if the obligation to do is fulfilled over time, the related revenue is recognized in the income statement to reflect the degree of fulfillment of the obligation.

The amount of revenue recognized for commission income and other operating income is measured according to the amounts envisaged in the contract.
If the amount established contractually results to be object, in whole or in part, to variability, the revenue is recorded in the income statement according to the evaluation of the most probable amount that the Group expects to receive.

Transition "IFRS16: Leasing"

IFRS16, applicable from 1 January 2019, and subject to approval by the European Union on 31 October 2017, amends the current set of international accounting standards and interpretations on leasing and, in particular, IAS17.
IFRS16 introduces a new definition of leasing and confirms the current distinction between the two types of leasing (operating and financial) with reference to the accounting model that the lessor must apply.
With reference to the accounting model to be applied by the lessee, the new principle provides that, for all types of leases, an asset must be recognized, which represents the "right of use" of the asset object of leasing and, at the same time, the debt relating to the fees provided for by the leasing contract.

Accounting Policies (Continued)

In the case of active sub-leasing contracts, if this contract is a finance lease, the right of use relating to the corresponding passive lease agreement is reversed and a corresponding financial asset is recognized.
At the time of initial registration, said asset is valued on the basis of the cash flows associated with the leasing contract. Subsequent to initial recognition, this asset will be valued on the basis of the provisions for tangible and intangible fixed assets from IAS 38, IAS 16 or IAS 40 and, therefore, at the cost net of amortization and any reduction in value, at "recalculated value" or at fair value as applicable.

The activities relating to the development of rules, principles and IT systems to ensure the correct calculation of new assets and liabilities, their subsequent measurement and the determination of the related effects on the income statement, are currently being finalized.

In this context, the Company, in line with the UniCredit Group, has decided, in accordance with the rules of the standard, not to apply the rules of IFRS16 to the leasing of intangible assets, to short-term leases of less than 12 months, and to the leasing of assets with a modest unit value.

For the purposes of calculating the leasing debt and the associated "right of use", the Company proceeds to discount future lease payments at an appropriate interest rate.
In this context the future fees to be discounted are determined in light of the provisions of the lease and calculated net of the VAT component by virtue of the fact that the obligation to pay such tax arises at the time of issuance of the invoice by the lessor and not at the effective date of the leasing contract itself.
For the purposes of the aforementioned calculation, these flows are discounted at a rate equal to the implicit interest rate of the lease or, if the latter is not available, at the marginal loan rate. The latter is determined on the basis of the cost of funding for liabilities of duration and guarantees similar to those implicit in the leasing contract.
For the purposes of determining the duration of the lease, the non-cancelable period, established by the contract, is considered during which the lessee has the right to use the underlying asset also taking into account any renewal options where the lessee has reasonable assurance of proceeding to renewal.
In particular, with reference to contracts that allow the lessee to tacitly renew the lease at the end of a first period, the duration of the lease is determined by considering elements such as the duration of the first period, the existence of any business plans disposal of the rented property as well as any other circumstance indicative of the existence of reasonable certainty of renewal.
The Company has decided not to represent the comparatives and has chosen, for purposes of First Time Adoption, to place the value of the right to use equal to that of the liability of the lease.
In this regard, it should be noted that the effects on the Company's assets, deriving from the adoption of IFRS16, in terms of new accounting rules from the point of view of the lessee, can be estimated, preliminarily and gross of the tax effect, in the 'order of about € 6 mln, mainly due to an imperfect alignment between the paid fees and the receipts collected.

Also with reference to the other amendments to the principles and / or clarifications, the Company does not believe that there will be effects from their application.

31 December 2018 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17: Insurance Contracts (May 2017);
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (February 2018);
- Amendments to the IFRS Conceptual Framework (March 2018);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018).

Also with reference to these new principles and / or changes in principles, the Company does not believe that there will be any effects from their application.

Notes to the Statement of Financial Position

Assets

Non-current assets

Tangible assets

Below is the breakdown of tangible assets amounting to € 172,056,271.

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Property, plant and equipment			
- owned	**172,056,271**	**178,787,043**	**-6,730,772**
land	1,651,319	1,651,319	0
buildings	2,668,883	2,817,154	-148,271
plant and machinery	117,590,460	122,873,644	-5,283,184
assets under construction - plant and machinery	30,630,156	29,403,585	1,226,571
industrial and commercial equipment	88,166	968,826	-880,660
other assets	19,373,021	20,918,115	-1,545,094
assets under construction - other assets	54,266	154,400	-100,134
Total	**172,056,271**	**178,787,043**	**-6,730,772**

"Land and buildings" referred to a property in Verona, located in the Frugose district, leased until 2015 when the purchase option at the end of the lease was exercised.
The remaining useful life of these assets is:
- Land – indefinite;
- Buildings – 20 years.

"Plant and machinery", totalling € 117,590,460, included:

- € 20,986,053 of central hardware, generally amortised over a period of 48 months starting from the month in which the asset is available for use, which is the first month after installation in production;
- € 29,460,142 of generic plant systems, generally amortised over a period of 60 months starting from the month in which the asset is available for use, which is the first month after installation and use in production;
- € 67,144,265 of assets leased to third parties as part of the distributed ICT service, amortised over a period of between 36 and 60 months, starting from the month in which the asset is available for use by the client, which is the first month after installation, and for the residual contract period, except for ATMs which are depreciated over a period of 96 months.

"Industrial and commercial equipment", € 88,166, and "Other assets", € 19,373,021, amortised as of the month in which the asset is used, that is the month following installation and use in production, include:

- office furniture, for which depreciation is 72 months;
- electronic office equipment, depreciated over 36 months;
- motor vehicles, 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 12.31.2018		
	LAND AND BUILDINGS	HARDWARE, PLANT AND FURNITURE	TOTAL
Gross amounts as at 1.1.2018	**6,569,346**	**895,630,993**	**902,200,339**
Total net impairment losses	**2,100,873**	**721,312,423**	**723,413,296**
Opening inventory	**4,468,473**	**174,318,570**	**178,787,043**
Increases	**0**	**54,815,663**	**54,815,663**
Purchases	**0**	**54,773,945**	**54,773,945**
- Other purchases of assets	0	54,773,945	54,773,945
Other variations	**0**	**41,718**	**41,718**
Decreases	**148,271**	**61,398,164**	**61,546,435**
Sales	**0**	**688,777**	**688,777**
- Other sales of assets	0	688,777	688,777
Profit e losses negative fair value variations	**0**	**0**	**0**
Depreciation	**148,271**	**59,729,298**	**59,877,569**
Impairment adjustments	**0**	**116,766**	**116,766**
Other variations	**0**	**863,322**	**863,322**
- Other	0	863,322	863,322
Closing inventory	**4,320,202**	**167,736,069**	**172,056,271**
Gross amounts as at 12.31.2018	**6,569,346**	**852,491,375**	**859,060,721**
Total net impairment losses	**2,249,144**	**684,755,307**	**687,004,451**

Intangible assets

Intangible assets amounted to € 1,425,237,542 formed by:

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Other internally generated intangible assets	**1,206,245,529**	**1,087,110,167**	**119,135,362**
Industrial patents and internally developed intellectual property rights	816,281,125	770,862,338	45,418,787
Assets under development: industrial patents and internally developed intellectual property rights	389,964,404	316,247,829	73,716,575
Other intangible assets	**218,992,013**	**207,993,546**	**10,998,466**
Industrial patents and intellectual property rights	107,077,733	123,041,159	-15,963,426
Assets under development: industrial patents and intellectual property rights	2,477,815	3,327,702	-849,887
Concessions, licenses, trademarks and similar rights	59,797,985	66,304,520	-6,506,535
Assets under development: concessions, licenses, trademarks and similar rights	49,638,480	15,320,165	34,318,315
Total	**1,425,237,542**	**1,295,103,713**	**130,133,829**

Software is amortized on a monthly basis, starting from the first month the asset is available for use, which is the first month after installation and in the condition needed to operate, 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.
“Patents and other industrial property rights” (€923,358,858) refers to unlimited user licenses to software suites purchased (€107,077,733) and software solutions developed by third parties to Company specifications or developed in-house (€816,281,125).

“Copyrights, trademarks and licenses” (€59,797,985) refers to user licenses and application software purchased.

“Intangible assets under development and advances” (€442,080,699) consists of all software not available for use at the reporting date, including unlimited user licenses to software suites purchased (€52,116,295) and software solutions developed by third parties to Company specifications or developed in-house (€389,964,404).

Below, the statement of changes in the period:

(Amounts given in €)

	FINANCIAL STATEMENT AS AT 12.31.2018		
	INTERNALLY GENERATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	TOTAL
Gross amount at 1.1.2018	**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**
Opening inventory	**1,087,110,167**	**207,993,546**	**1,295,103,713**
Increases	**357,048,869**	**62,516,744**	**419,565,613**
Purchases	**0**	**59,142,069**	**59,142,069**
- Other purchases	0	59,142,069	59,142,069
Increases in internal intangible assets	**357,048,869**	**0**	**357,048,869**
Other changes	**0**	**3,374,675**	**3,374,675**
Decreases	**237,913,507**	**51,518,277**	**289,431,784**
Sales	**0**	**310,000**	**310,000**
- Other purchases	**0**	**310,000**	**310,000**
Depreciation	**229,125,751**	**50,210,726**	**279,336,478**
Devaluations	**8,787,757**	**896,996**	**9,684,753**
Other changes	**0**	**100,554**	**100,554**
- Other	0	100,554	100,554
Net closing inventory	**1,206,245,529**	**218,992,013**	**1,425,237,542**
Gross closing inventory 12.31.2018	**2,513,625,002**	**1,501,531,176**	**4,015,156,178**
Total net impairment losses	**1,307,379,473**	**1,282,539,163**	**2,589,918,636**

Increases in the year (€ 419,565,613) mainly consisted in:

- software created by third parties (€ 281,084,138) amount capitalised and entered under "Costs for services", under "Capitalisation of external costs";
- software developed in-house (€ 75,964,731); 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 measured at fair value with impact on overall profitability

(Amounts given in €)

ATTIVITÀ FINANZIARIE VALUTATE AL FAIR VALUE CON IMPATTO SULLA REDDITIVITÀ COMPLESSIVA	12.31.2018			12.31.2017		
	L1	L2	L3	L1	L2	L3
1. Debt securities		**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**	**1,000**	**0**	**0**	**1,000**
2.1 fair value	0		0	0		0
2.2 cost value	0	0	1,000	0	0	1,000
3. O.I.C.R. shares	**0**	**0**	**0**	**0**	**0**	**0**
4. Loans	**0**	**0**	**0**	**0**	**0**	**0**
5. Impaired assets	**0**	**0**	**0**	**0**	**0**	**0**
6. Assets sold and not canceled		**0**	**0**	**0**	**0**	**0**
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)

In 2017 these assets were classified as financial available for sale assets ex.IAS 39.

Notes to the Statement of Financial Position (Continued)

(Amounts given in €)

FINANCIAL ASSETS AVAILABLE FOR SALE	12.31.2018	12.31.2017	VARIATIONS
Consorzio Abi lab	1,000	1,000	0
TOTAL	**1,000**	**1,000**	**0**

The item "Financial assets measured at fair value with impact on overall profitability" consisted in the share in Consorzio ABI LAB (former ABI ENERGIA), with registered office in Roma, Piazza del Gesù, 49, amounting to 1.25% of Share Capital for a value of € 1,000. The equity interest percentage is immaterial.

Equity Investments

The breakdown of "Equity Investments" is shown in the table below:

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
In subsidiaries			
Uni IT S.r.l. - Trento	0	510,000	-510,000
Unicredit Services Austria Gmbh	49,647,961	49,647,961	0
Total	**49,647,961**	**50,157,961**	**-510,000**
In associates			
ES Shared Service Center S.p.A.	0	58,800	-58,800
Accenture and Back Office Administration Services S.p.A.	0	1,033,000	-1,033,000
Value Transformation Services S.p.A.	3,431,845	3,431,845	0
Total	**3,431,845**	**4,523,645**	**-1,091,800**
TOTAL	**53,079,806**	**54,681,606**	**-1,601,800**

Uni IT S.r.l.

On 3 October 2018, Unicredit Services S.C.p.A. sold 51% of the shares in UNI IT S.r.l. to Argentea S.r.l. (GPI Group) for € 749,387.76.

UniCredit Business Integrated Solutions Austria GmbH

(Amounts given in €)

	12.31.2018
Share capital	1,200,000
Reserves	59,338,273
Profits (losses) carried forward	23,354,756
Profit of the year	5,590,861
TOTAL	**89,483,890**

UniCredit Services GmbH, with registered office in Vienna, is controlled 100% and is registered in the Banking Group as an instrumental company.
The share capital is divided into 1,200,000 shares of €1 each.

ES Shared Service Center S.p.A.

On 19 December, Unicredit Services S.C.p.A., pursuant to art. 11 of the Shareholders' Agreement and consequently exercising the right of Termination for Convenience, sold the total of its shares to the shareholder Hewlett Packard.

Accenture Back Office Administration Services S.p.A

Accenture Managed Services S.p.A. – owner of 51% of the shares of ABAS SpA - on 9 April 2018 exercised its option right to purchase the remaining 49% of the shares held by UniCredit Services S.C.P.A. at the strike price of € 1,210,000.00 established in the existing shareholders' agreement.
The purchase of that non-controlling interest was finalised on 24 April 2018.

Value Transformation Services S.p.A.

UniCredit Services S.C.p.A. holds a non-controlling share of 49% for a value of € 3,431,845. Further information is provided in the Report on Operations.

Deferred tax assets

The item totalled € 83,076,256 at 31/12/2018 and shows taxes paid prior to the period in which they accrue.

Including, besides deferred tax assets in counter item of both the income statement and equity, the residual amount of IRES 2016 and 2017 losses totalling € 43,531,536 already net of the repayments received by the Parent Company as part of the National Tax Consolidation of € total 18,373,552 (of which € 16,419,624 related to the repayment of foreign tax credits) and the IRES cost for the year of € 6,832,000.

Below is a breakdown of deferred tax assets:

(Amounts given in €)

	12.31.2018			12.31.2017		
	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	106,999,765	25,679,944	0	115,722,075	27,773,298	0
In compensation of Net Equity	*50,574,349*	*12,137,844*	*0*	*38,295,751*	*9,190,980*	*0*
In compensation of Profie e Losses	*56,425,416*	*13,542,100*	*0*	*77,426,324*	*18,582,318*	*0*
Civil code depreciation exceeding tax rates for IRES loss	43,660,839	10,478,601	0	42,515,388	10,203,693	0
Other variations IRES	13,503,015	3,240,724	0	12,461,379	2,990,731	0
IRES loss	181,381,401	43,531,536	0	216,533,117	51,967,948	0
Other variations IRAP	3,017,663	0	145,451	3,339,606	0	160,969
TOTAL	**348,562,683**	**82,930,805**	**145,451**	**390,571,565**	**92,935,670**	**160,969**
TAX EFFECT ON DEFERRED TAX ASSETS			**83,076,256**			**93,096,639**

Other non current assets

The breakdown of the item is shown below.

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Guarantee deposits	3,927,445	4,413,930	-486,485
Improvements on third parties assets	103,729,692	111,864,986	-8,135,294
TOTAL	**107,657,137**	**116,278,916**	**-8,621,779**

"Security deposits" (€ 3,927,445) consisted mainly of cash deposits paid in trust to ensure compensation for any damages under lease agreements taken out.

"Improvements to third-party assets" essentially consisted in assets that did not meet the identifiability criterion required by IAS 38.

Current assets

Inventories

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Closing inventories - Hardware and Software	64,238	64,238	0
TOTAL	**64,238**	**64,238**	**0**

Notes to the Statement of Financial Position (Continued)

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 on active markets". As such, the assets are all Level 3.

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Due from customers	34,046,500	160,202,209	-126,155,709
Due from subsidiaries	33,192,659	27,352,397	5,840,262
Due from parents	232,577,365	203,653,794	28,923,571
Allowance for impairment	-1,567,367	-907,141	-660,226
TOTAL	**298,249,157**	**390,301,259**	**-92,052,102**

Trade receivables

The item (€ 34,046,500) includes receivables for:

- invoices issued (€ 30,794,028) for IT services, for sublease instalments and repayment of common and maintenance charges, still to be collected at the reporting date;
- invoices to be issued for € 3,252,472.

Receivables from subsidiaries

The item (€ 33,192,659) includes receivables vis à vis the subsidiary UniCredit Services GmbH and referred to:

- invoices issued (€ 31,696,085) for IT services and development of IT systems, to be collected at 31/12/2018;
- invoices to be issued for € 1,496,574.

Receivables vis à vis the Parent Company

The item (€ 232,577,365) is mainly related to invoices issued for IT services, for sublease instalments and repayment of common and maintenance charges, still to be collected at 31/12/2018.
Tax credits for IRAP and IRES tax refunds under the tax consolidation arrangement, totalling €17,624,650.

Bad debt provision

The bad debt provision shows write-downs made to doubtful debts at December 31/12/2018.
The increase to this Provision is mainly due to the write-down of the receivable for €543,004 from the company Mediofactor Srl.

The breakdown of trade and other Receivables by geographical area is shown in the table below:

(Amounts given in €)

REFERENCE COUNTRY OR AREA	12.31.2018	12.31.2017
Italy	271,092,266	228,223,205
Czech Republic	1,575,359	6,922,411
Slovakia	709,510	377,603
Hungary	813,199	3,362,500
Great Britain	1,967,913	1,590,735
Poland	394,724	469,833
Romania	2,412,525	2,456,119
Germany	19,157,140	144,095,694
Singapore	91,466	2,793,006
New York	35,055	10,153
TOTAL	**298,249,157**	**390,301,259**

Current Tax Assets

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
IRES	51,896	51,896	0
IRAP	5,983,396	6,555,396	-572,000
Credits for income tax on foreign branches	10,675,546	0	10,675,546
Other tax payables	1,698,720	2,624,706	-925,986
TOTAL	**18,409,558**	**9,231,998**	**9,177,560**

As at 31 December 2018, the item totalled € 18,409,558, consisting mainly of:

- IRAP (€ 5,983,396) referred to the receivable for advances paid in previous years;
- Income tax receivables for foreign branches (€ 10,675,546) mainly referred to the German Branch;
- other tax receivables (€ 1,698,720), mostly related to withholding tax credits on expatriate salaries (€ 730,150) and withholding tax on interest earned on bank accounts (€ 903,821).

Other current assets

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Social Security Agency	73,840	137,278	-63,438
Personnel receivables	2,265,723	2,020,989	244,734
Sundry Reveivables	1,020,648	1,060,232	-39,584
Accrued incomes and prepaid expenses	82,664,134	67,652,397	15,011,737
Advance to suppliers			
Advances for third-party services	*131,903,701*	*141,202,521*	*-9,298,820*
Credit note to be received	*9,736,446*	*8,264,203*	*1,472,243*
Others	4,661,963	5,987,492	-1,325,529
TOTAL	**232,326,455**	**226,325,112**	**6,001,343**

"Accrued income and deferred charges", totalling € 82,664,134, consisted of deferred charges and shows amounts accruing to future periods paid in advance to suppliers for services.

"Advances for third-party services" totalled € 131,903,701 and almost exclusively consisted of advances paid to third parties under framework agreements (Accenture S.p.A., BE Consulting S.p.A. ABAS S.p.A. etc.) and/or agreements with joint ventures (Value Transformation Services S.p.A., etc.).

Notes to the Statement of Financial Position (Continued)

Cash and cash equivalents

(Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2018 EQUIVALENT VALUE IN EURO	12.31.2017 EQUIVALENT VALUE IN EURO	VARIATIONS EQUIVALENT VALUE IN EURO
In the name of Unicredit Services S.C.p.A.				
with UniCredit SpA				
c/c n. 5218005	EUR	204,537,101	114,257,690	90,279,411
c/c n. 4661823	EUR	3,668,384	25,842,726	-22,174,342
c/c n. 30028960	EUR	57,691	384,266	-326,575
c/c n. 5194635	EUR	CHIUSO	CHIUSO	
c/c n. 500092831	EUR	94,125	63,290	30,835
c/c n. 5290339	EUR	109,588,948	132,067,154	-22,478,206
c/c n. 30062073	EUR	31,855	31,971	-116
c/c n. 30023431	EUR	11,520,678	13,536,907	-2,016,229
c/c n. 500070498	EUR	622,953	289,611	333,342
c/c n. 103793721	EUR	43,619	44,581	-962
c/c n. 101699664	EUR	957,723	957,919	-196
In the name of UCS (*) - UCS SA Oddzial W Polsce - Lodz				
with Bank Pekao S.A.				
c/c n. 8056 1278 VAT Bank Account	PLN	885	0	885
c/c n. 43485939	PLN	167,139	561,672	-394,533
c/c n. 21996082	EUR	82,188	211,014	-128,826
c/c n. 07477996	PLN	CHIUSO	0	
Short term Deposit	EUR	182,000	88,000	94,000
In the name of UCS (*) - UCS S.C.p.A. organizacni slozka - Praha				
with UniCredit Bank				
c/c n. 0804685033	CZK	0	0	0
c/c n. 804685009	CZK	1,107,350	275,694	831,656
c/c n. 804685017	**EUR**	**129,401**	**672,247**	**-542,846**
in the name of UCS (*) - UCS S.C.p.A. Zweigniederlassung Deutschland - Munchen				
with UniCredit Bank AG				
c/c n. 47263557	EUR	84,677,298	69,870,819	14,806,479
c/c n. 47307503 Fixed deposit	EUR	11,577	11,577	0
c/c n. 654781761	EUR	0	0	0
c/c n. 10011848 presso HVB TRUST	EUR	18,577	46,416	-27,839
c/c n. 666526910 HVB TRUST	EUR	-18,577	-46,416	27,839
UniCredit Bank AG (HVB) 65202735 - new from April	EUR	1,937,938	1,640,930	297,008
UniCredit Bank AG (HVB) TRUST c/c 15776235 - new from September	EUR	224,394	224,394	0
UniCredit Bank AG (HVB) TRUST c/c 15435549 - new from July	EUR	7,929,093	7,929,093	0
In the name of UCS (*) - UCS S.C.p.A. - Sucursala Bucarest				
with UniCredit Tiriac Bank SA				
c/c n. 2303000	RON	1,562,702	2,237,631	-674,929
c/c n. 2303001	EUR	4,932,645	449,969	4,482,676
c/c n. 2303003	RON	7	3	4
Debit card 2303026	RON	1,055	1,122	-67
In the name of UCS (*) - UCS S.C.p.A. - Sucursala Iasi				
with UniCredit Tiriac Bank SA				
c/c n. 2303006	RON	11,339	12,071	-732
c/c n. 2303007	EUR	31,287	50,849	-19,562
In the name of UCS (*) - UCS S.C.p.A. Branch United Kingdom - London				
with UniCredit M IB HVB AG				
c/c n. 30106109670901	GBP	1,522,120	1,162,627	359,494
c/c n. 30036309670902	EUR	1,125,708	4,148,398	-3,022,690

(Amounts given in €)

CURRENT BANK ACCOUNTS	ORIGINAL CURRENCY	AMOUNTS AS AT 12.31.2018 EQUIVALENT VALUE IN EURO	12.31.2017 EQUIVALENT VALUE IN EURO	VARIATIONS EQUIVALENT VALUE IN EURO
In the name of UCS (*) - UCS S.C.p.A. M agyarorszagi Fioktelepe - Budapest				
with UniCredit Bank Hungary Zrt.				
c/c n. 41060016	HUF	488,552	1,400,131	-911,579
c/c n. 41060023	HUF	13,803	2,377	11,425
UCI c/c 41060078 HUF A	HUF	0	105	-105
UCI c/c 41060085 EUR - new from February	EUR	5,606,692	2,205,843	3,400,849
In the name of UCS (*) - UCS 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	1,867,317	1,369,956	497,361
Post current account				
Cash				
in the name of UCS (*) - UCS S.C.p.A. Singapore Branch	SGD	4,809,242	2,143,946	2,665,296
with United Overseas Bank	SGD	69,633	40,819	28,814
United Overseas Bank 4503035809				
United Overseas Bank 4513014761 -				
in the name of UCS (*) - UCS S.C.p.A. New York Branch	USD	2,749,214	3,708,728	-959,514
with UniCredit Bank AG		0	-3,066	3,066
UniCredit Bank 0960094301 USD	EUR	70,404	65,291	5,113
1120300315 Transitory Bank Account 0960094301 USD	**EUR**	**676**	**702**	**-26**
UniCredit Bank 0960094302 EUR - new from December	**EUR**	**11,138**	**11,735**	**-597**
TOTAL		**452,445,874**	**387,970,792**	**64,475,082**

(*) Unicredit Services 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.

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

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:

(Amounts given in €)

SHAREOLDER	N. OF SHARES HELD
UNICREDIT SPA	237,523,060
FINECO BANK SPA	20
UNICREDIT FACTORING SPA	20
SOCIETE GENERALE SECURITIES SERVICES SPA	20
CORDUSIO SOCIETÀ FIDUCIARIA PER AZIONI	10
CORDUSIO 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, please see the Board of Directors' Report on Operations.

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

(Amounts given in €)

					SUMMARY OF USESIN THE THREE PREVIOUS YEARS	
NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	DISTRIBUTABLE QUOTA	NON DISTRIBUTABLE QUOTA	FOR COVER AGAINST LOSS	FOR OTHER REASONS
SHARE CAPITAL	237,523,160				-	-
INCOME - RELATED RESERVES						
Legal reserve	6,870,236	B	6,870,236		-	-
Valutation reserve	-99,778,569		-99,778,569	-	-	-
Other reserves	204,808,375	A - B - C	204,808,375	-	-	-
Profit of the year	17,272,049		17,272,049	-	-	-
TOTAL	**366,695,251**		**129,172,091**	**-**	**-**	**-**

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

The Shareholders' Equity amounts is shown below.

(Amounts given in €)

	12.31.2018	12.31.2017
Capital	€ 237,523,160	€ 237,523,160
Legal Reserve	€ 6,870,236	€ 6,446,783
Extraordinary Reserve	€ 74,210,471	€ 66,164,867
Share premium Reserve	€ 52,814,822	€ 52,814,823
Other reserves	€ 77,783,082	€ 77,783,082
Valutation reserve for actuarial gains/losses for pension funds	-€ 99,778,569	-€ 92,165,643
Profit	€ 17,272,049	€ 8,469,057
	€ 366,695,251	**€ 357,036,129**

The "revaluation reserve" showing 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 €)

	12.31.2018	12.31.2017	VARIATIONS
Security deposit	66,445	26,445	40,000
TOTAL	**66,445**	**26,445**	**40,000**

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

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 €)

	12.31.2018			12.31.2017		
	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 LIABILITIES						
Other variations IRES	1,214,172	291,401		1,214,172	291,401	0
Other variations IRAP	1,231,413		59,354	1,231,413	0	59,354
TOTALE	**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 01.01.2018	**66,084,678**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1.1.2018	**66,084,678**
B. Increases	**1,007,887**
B.1 Provisions for the year	*880,842*
B.2 Other increases	*127,045*
Adjustments for actuarial losses on post-employment benefits (IAS19R)	10,774
Other changes	116,271
- Sales of individual contract (incoming)	116,271
C. Decreases	**-19,656,791**
C.1 Payments	*-17,551,758*
- of which: payments severance indemnity to resigned staff	-17,232,082
- di cui : of which: advances of severance indemnity	-319,677
C.2 Other decreases	*-2,105,033*
Adjustments for actuarial gains on post-employment benefits (IAS19R)	-1,227,255
Other changes	-877,778
- Sales of individual contract (outgoing)	-877,778
D. Closing at 12.31.2018	**47,435,774**

Notes to the Statement of Financial Position (Continued)

Employee severance indemnity: other information

(Amounts given in €)

	12.31.2018
Provision for the year	**880,842**
- Pension cost of current service	0
- Interest expense on defined denefit plan	880,842
- Gains and losses on curtailments and settlements	0
- Pension cost of past service	0
Actuarial (Gans) losses recognized in the revaluation services (OCI)	**1,216,481**

DESCRIPTION OF MAIN ACTUARIAL ASSUMPTIONS	TFR	FONDINO EX.BDS
Discount rate	1.60%	1.60%
Expected rate in salary increase	0%	2.60%
Future increases in pension obligations	0%	0%
Expected rate on inflation	1.20	1.20%
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 of 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 01.01.2018	**50,114,457**
A.2 Changes to the opening balances for the new IAS 19R (+/-)	**0**
A. (A.1+A.2) Opening balances 1.1.2018	**50,114,457**
B. Increases	**18,056,722**
B.1 Provisions for the year	9,631,695
Pension cost current job preformances	9,631,695
B.2 Changes due to the passage of time	1,036,564
B.3 Changes due to discount rate	7,388,463
B.4 Other	142,969
Adjustments for actuarial losses on defined benefit plans	9,155,195
- Business combinations	261,192
- internal	261,192
- Other changes (+)	-2,027,924
C. Decreases	**-2,662,564**
C.1 Use during the year	-2,662,318
- Benefits paid by the Fund use	-2,662,318
C.2 Changes due to discount rate	0
C.3 Other	7,245,248
- Adjustments for actuarial losses on defined benefit plans	7,245,494
- Other changes	-246
- Exchange rate differences on input (-)	-246
D. Closing balance at 12.31.2018	**65,508,615**

ACTUARIAL ASSUMPTIONS	12.31.2018 VALID FOR THE PENSION PROVISION	12.31.2017 VALID FOR THE PENSION PROVISION
Discount rate	2.10%	2.15%
Expected rate of return from financial Plan assets	2.10%	2.15%
Rate of wage growth	2.00%	2.01%
Future increases in pension benefits	1.70%	1.60%
Expected inflation rate	-	-

Provisions for risks and expenses

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Provisions for disputes with personnel	651,954	539,605	112,349
Other personnel provisions	36,293,559	21,647,472	14,646,087
Provisions for legal disputes	22,685,587	58,414,460	-35,728,873
Provisions for fiscal controls	963,378	976,081	-12,703
Provisions for future expenses	2,886,024	3,071,242	-185,218
TOTAL	**63,480,502**	**84,648,860**	**-21,168,358**

Provisions for risks and charges amounted to € 63,480,502. They consisted of provisions allocated by the Company for future liabilities, measured as best estimates, for:

- disputes with employees (€ 651,954) and litigation (€ 963,378);
- other provisions for risks and charges (€ 36,293,559), consisting mainly of:
  - provisions for MBO bonuses, totalling € 20,145,716;
  - Provision for € 927,408 VAP;
  - "termination fee" for Newton Global Markets Agreement of € 5,951,400;
  - VTS penalty for € 1,506,000;
  - provisions allocated by our German branch, totalling € 3,540,000;
  - release for transfers prepaid by local Real Estate not used for (€ 4,475,245);
- company restructuring plan expenses amounting to € 22,685,587, consisting mainly of:
  - residual provisions allocated in 2017 for € 1,975,483;
  - residual provisions allocated in December 2013 for the Company's Strategic Plan (€ 8,338,904);
  - residual provisions for the Italy 2016/19 and Germany redundancy plans (€ 11,841,741);
- other operational risks (€ 2,886,024).

Other non-current liabilities

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Liabilities for 25th and 35th seniority bonuses	5,135,432	8,352,242	-3,216,810
Liabilities for leaving inventives	159,278,136	176,004,441	-16,726,305
TOTAL	**164,413,568**	**184,356,683**	**-19,943,115**

The item included provisions for employees in relation to voluntary redundancy incentives, as contemplated in the industrial plans agreed with 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 €)

		12.31.2018	12.31.2017	VARIATIONS
Short-term financing	UNICREDIT	1,599,829,222	1,399,828,778	200,000,444
TOTAL		**1,599,829,222**	**1,399,828,778**	**200,000,444**

The amount of short term Loans totalling € 1,600,00,000, consists in the following loans:
€ 800 million expiring on 09/01/2019 at a fixed rate of -0.179%;
€ 800 million expiring on 24/01/2019 at a fixed rate of -0.178%.

The difference between the nominal amount of the loans (€1,600,000,000) and their carrying amount (€1,599,829,222) totalled €170,778, showing the interest income accrued at year end.

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

Current tax liabilities

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Payables for income taxes of foreign Branches	0	772,352	-772,352
Payables for substitute tax on post-employment benefits revaluation	56,796	0	56,796
VAT payables	6,945,549	17,471,242	-10,525,693
Payables on revenues witholding tax for self-employment	36,294	40,812	-4,518
Payables revenue witholding tax for employment	8,289,432	9,921,347	-1,631,915
TOTAL	**15,328,071**	**28,205,753**	**-12,877,682**

As at 31 December 2018, the item totalled € 15,328,071, consisting mainly of:
• VAT payable (€ 6,945,549), showing the net result of VAT payable for € 21,405,230 and VAT receivable for € 14,459,681;
• withheld tax on employees and freelance professionals (€ 8,289,432), almost all referred to employee salaries.

Trade payables

The payables totalled € 447,162,511. The breakdown is shown below:

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Due to suppliers	406,141,581	331,120,313	75,021,268
Due to subsidiaries	15,032,740	4,718,563	10,314,177
Due to parents	25,988,190	22,223,713	3,764,477
TOTAL	**447,162,511**	**358,062,589**	**89,099,922**

"Payables to suppliers" (€ 447,162,511) 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, rental of premises, electricity supply, and heating.

The item "Payables to subsidiaries" for Global project services and Global Services provided by our subsidiary UniCredit Services GmbH.

"Payables to parent companies" consisted mostly of invoices to be received for seconded Personnel, auditing services, 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	12.31.2018	12.31.2017
Italy	348,902,666	271,354,235
Czech Republic	4,637,667	4,000,902
Slovakia	1,280,360	746,547
Hungary	5,669,281	5,538,004
Great Britain	5,445,426	6,477,880
Poland	920,039	436,171
Romania	980,354	662,742
Germany	75,972,266	64,735,104
Singapore	2,488,208	2,096,703
New York	866,244	2,014,301
TOTAL	**447,162,511**	**358,062,589**

Other current payables

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Payables due to personnel	31,469,369	35,041,918	-3,572,549
MBO	*16,474,916*	*18,795,489*	*-2,320,573*
VAP	*3,197,888*	*4,906,408*	*-1,708,520*
Christmas extra	*25,018*	*35,833*	*-10,815*
Vacations	*3,858,516*	*3,562,683*	*295,833*
Other personnel payables	*7,913,031*	*7,741,505*	*171,526*
Contributive insurance and welfare	13,630,023	13,542,247	87,776
Integrative insurance	456,137	551,442	-95,305
Accrued expenses	7,769,030	161,332,323	-153,563,293
Others	19,008,021	12,659,259	6,348,762
TOTAL	**72,332,580**	**223,127,189**	**-150,794,609**

The item “Accrued liabilities and deferred income” (€ 7,769,030) decreased decidedly (€ -153,563,293) mainly due to the issue during the year of invoices on ICT services by our German Branch to HVB to close deferred income recognised in 2017.
“Other items” consisted primarily in €4,818,400 of Termination Fees for the early withdrawal from the company ES SSC S.p.A., and €11,598,724 of credit and debit notes to be issued.

Notes to the Income Statement

Revenue

Revenues from sales and services

The item includes services provided by the Security, Tech, Procurement, Operations, Real Estate and Logistics business units.

The performance of revenues was shaped by the following drivers:

- lower revenues from Outsourcing due mainly to revenues for Projects and recognition of 2018 adjustments to back office, ICT and Real Estate services;
- to the new cost allocation scenario;
- lower revenues from real estate services, connected with the Real Estate Service Line project for the rationalization of premises (branch closures, smart working etc.), partly offset by a greater non-deductibility for VAT due to the Skandia law;
- transactional revenues € 2,802,473.

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Revenues for services outsourcing	**1,883,703,173**	**1,957,150,717**	**-73,447,544**
Revenues for basic services outsourcing	*1,826,785,737*	*1,905,495,656*	*-78,709,919*
Revenue from DICT	*39,392,772*	*32,747,106*	*6,645,666*
Revenue Card Services	*590,257*	*573,444*	*16,813*
Revenue from project	*16,934,407*	*18,334,511*	*-1,400,104*
Other revenues from sales	**2,802,474**	**3,757,520**	**-955,046**
Other Income from sales	*2,802,474*	*3,757,520*	*-955,046*
Rental Income	**237,026,997**	**278,571,335**	**-41,544,338**
Rental income from employees	*39,056*	*52,800*	*-13,744*
Rental income from group companies	*236,987,941*	*278,518,535*	*-41,530,594*
Real Estate Services Income	**161,099,374**	**176,476,371**	**-15,376,997**
Real estate services income	*41,013,330*	*56,464,053*	*-15,450,723*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*41,461,702*	*37,074,998*	*4,386,704*
RE serv.inc.-Rec.of charges related to strum.prem.	*22,269,506*	*25,750,137*	*-3,480,631*
RE serv.income-Recovery heating costs strum. Prem.	*56,354,836*	*57,187,183*	*-832,347*
Other income from services	**7,991**	**71,466**	**-63,475**
Other income from services	*7,991*	*71,466*	*-63,475*
TOTAL	2,284,640,009	2,416,027,409	-131,387,400

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	**1.089.150.819**	**40.846.753**	**14.012.479**	**31.384.007**	**25.371.465**	**1.399.542**	**7.946.797**	**647.985.642**	**10.082.923**	**15.522.744**	**1.883.703.173**
Revenues for basic services outsourcing	*1.088.004.382*	*29.804.667*	*12.970.964*	*23.697.679*	*25.371.465*	*1.399.542*	*7.946.797*	*611.984.572*	*10.082.923*	*15.522.744*	*1.826.785.737*
Revenue from DICT	*556.180*	*3.532.399*	*0*	*0*	*0*	*0*	*0*	*35.304.193*	*0*	*0*	*39.392.772*
Revenue Card Services	*590.257*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*590.257*
Revenue from project	*0*	*7.509.687*	*1.041.515*	*7.686.328*	*0*	*0*	*0*	*696.877*	*0*	*0*	*16.934.407*
Other revenues from sales	**2.471.073**	**0**	**0**	**0**	**0**	**0**	**0**	**331.401**	**0**	**0**	**2.802.474**
Other Income from sales	*2.471.073*	*0*	*0*	*0*	*0*	*0*	*0*	*331.401*	*0*	*0*	*2.802.474*
Revenues from software sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other revenues software	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Rental Income	*236.970.767*	*56.230*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*237.026.997*
Rental income from employees	*39.056*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*39.056*
Rental income from group companies	**236.931.711**	**56.230**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**236.987.941**
Real Estate Services Income	**161.083.528**	**15.846**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**161.099.374**
Real estate services income	*40.997.159*	*16.171*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*41.013.330*
RE serv. inc.-Recovery mainten costs-Strum. prem.	*41.462.027*	*-325*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*41.461.702*
RE serv.inc.-Recovery mainten costs-non bus.prem.	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
RE serv.inc.-Rec.of charges related to strum.prem.	*22.269.506*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*22.269.506*
RE serv.inc.-Rec.charges relat.to non bus.prem.	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
RE serv.income-Recovery heating costs strum. Prem.	*56.354.836*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*56.354.836*
Other income from services	**7.991**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7.991**
Other income from services	*7.991*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*7.991*
TOTAL	1.489.684.178	40.918.829	14.012.479	31.384.007	25.371.465	1.399.542	7.946.797	648.317.043	10.082.923	15.522.744	2.284.640.009

Other revenues and income

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Capital Gains from goods sales	**229,216**	**67,533**	**161,683**
Capital Gain fixed assets sale	*229,216*	*67,533*	*161,683*
Other Reimbursements	**45,266,034**	**82,039,638**	**-36,773,604**
Other reimbursements and recoveries	*42,995,925*	*79,903,911*	*-36,907,986*
Reimburs. training costs	*0*	*321,254*	*-321,254*
Reimbursements for operating losses	*8,776*	*19,829*	*-11,053*
Insurance recoveries	*876*	*-23,057*	*23,933*
Reimbursements motor vehicle use	*1,022,592*	*1,147,614*	*-125,022*
Reimbursements from insurance	*423,289*	*234,609*	*188,680*
Tax recovery	*814,576*	*435,478*	*379,098*
Other Incomes	**3,987,140**	**-6,170,353**	**10,157,493**
Other operating income	*563,550*	*-11,406,771*	*11,970,321*
Rounding	*25,262*	*4,844*	*20,418*
Government Subsidy from Ministry of Education	*14,458*	*18,318*	*-3,860*
Foreign currency gains (loss)	*3,383,870*	*5,213,256*	*-1,829,386*
TOTAL	**49,482,390**	**75,936,818**	**-26,454,428**

“Other revenues and income” mainly consisted of:

- The item other various Repayments and recoveries mainly includes recovery of expenses from the joint venture VTS S.p.A. (€ 34,326,250), moreover, the recoveries from other market clients were entered (€ 6,334,800) from P4 CARDS S.R.L. (€ 2,334,875);
- In 2017 the item “other income” showed a negative amount that it reflects the recognition to Unicredit Services of the release of provisions for risks and charges that occurred during the same year of a contingent liability for provisions allocated for the recovery of surplus risk provisions from UniCredit S.p.A..

Costs

Costs for raw materials, consumables, and goods for resale

The item consisted primarily of purchases of miscellaneous raw materials.

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Expenses for raw materials, subsidiaries materials and consumables	8,693,143	5,414,646	3,278,497
Change in inventories	0	76,627	-76,627
TOTAL	**8,693,143**	**5,491,273**	**3,201,870**

Notes to the Income Statement (Continued)

Costs for services

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Technical and professional advices	**14,252,027**	**16,697,612**	**-2,445,585**
Technical Advices	*200,621*	*284,612*	*-83,991*
Professional services	*75,625*	*484,808*	*-409,183*
Property consultancy	*22,579*	*7,623*	*14,956*
Translations	*31,206*	*27,218*	*3,988*
Costs of checking operations	*6,413,853*	*6,383,987*	*29,866*
Independent auditors' reports	*714,319*	*753,768*	*-39,449*
Administrative Advices	*1,329,905*	*1,389,088*	*-59,183*
Labour consultancy	*9,587*	*11,022*	*-1,435*
Tax advices	*1,428,344*	*1,910,814*	*-482,470*
Fees for mediation (Interim)	*80,437*	*78,384*	*2,053*
Management and strategic consulting	*2,457,899*	*3,396,697*	*-938,798*
Legal advices	*1,482,345*	*1,955,425*	*-473,080*
Notaries Servicies	*5,307*	*14,166*	*-8,859*
Administrative services	**57,301,713**	**83,179,450**	**-25,877,737**
Other administrative expenses	*3,014*	*10,737*	*-7,723*
Admninistrative services and back office	*55,932,637*	*81,675,619*	*-25,742,982*
External storage services	*253,081*	*249,079*	*4,002*
Cost for service personnel	*1,112,981*	*1,244,015*	*-131,034*
Informatic services	**427,918,444**	**483,312,266**	**-55,393,822**
External services ICT	*427,918,444*	*483,312,266*	*-55,393,822*
Fixed price systems management assistance	**522,248,784**	**495,963,288**	**26,285,496**
Systems management assistance	*522,248,784*	*495,963,288*	*26,285,496*
External costs capitalization	**-281,084,138**	**-284,537,185**	**3,453,047**
Systems management assistance capitalized	*-281,084,138*	*-284,537,185*	*3,453,047*
Insurance	**3,243,012**	**3,123,148**	**119,864**
Data Transmission	**4,416,576**	**5,297,322**	**-880,746**
Infoprovider costs	**4,205,024**	**5,937,569**	**-1,732,545**
Local and Building Expenses	**129,799,508**	**139,959,323**	**-10,159,815**
Vigilance expenses	*23,921,498*	*27,980,149*	*-4,058,651*
Security services	*2,230,414*	*3,040,137*	*-809,723*
Local charges for cleaning and waste disposal	*23,686,911*	*27,757,169*	*-4,070,258*
Contracts health hands	*901,966*	*982,450*	*-80,484*
Energy and power	*49,587,529*	*51,288,114*	*-1,700,585*
Utilities - Water	*2,476,469*	*2,400,249*	*76,220*
Heating expenses	*6,585,702*	*6,226,081*	*359,621*
Cost of building shopping cent. with VAT	*12,562,471*	*12,190,548*	*371,923*
Telephone	*7,846,548*	*8,094,426*	*-247,878*
Representation expenses	**26,050**	**47,115**	**-21,065**
Transport and shipments	**1,615,108**	**714,099**	**901,009**
Training expenses	**1,868,262**	**2,394,287**	**-526,025**
Hardware and software Maintenance	**106,176,669**	**109,383,574**	**-3,206,905**
Hardware and ICT plants Maintenance	*21,953,392*	*24,223,102*	*-2,269,710*
Software Maintenance	*84,223,277*	*85,160,472*	*-937,195*
Building Maintenance	**19,503,940**	**21,887,767**	**-2,383,827**
Forniture, machines and equipments maintenance	**12,576,678**	**13,100,126**	**-523,448**
Other maintenance	**1,040**	**123,430**	**-122,390**
Logistic services	**1,111,944**	**1,574,822**	**-462,878**
Removals and porterage	*1,111,944*	*1,574,822*	*-462,878*
Real estate services	**4,743,221**	**4,335,885**	**407,336**
Travel Expenses	**6,355,742**	**5,912,811**	**442,931**
Convention and internal comunication	**121,662**	**336,796**	**-215,134**
Advertising expenses, marketng expenses and sponsorship	**294,963**	**320,652**	**-25,689**
Collector accounts	**29,291,066**	**30,774,208**	**-1,483,142**
Other expenses	**4,628,471**	**6,776,349**	**-2,147,878**
Postal expenses	*2,143,415*	*4,556,053*	*-2,412,638*
Drawback fees for Ticket Services	*0*	*316*	*-316*
Other expenses	*2,485,056*	*2,219,980*	*265,076*
TOTAL	**1,070,615,766**	**1,146,614,714**	**-75,998,948**

The table above shows a decline in costs compared to the previous year of €75,998,948. The drop was driven by the following expenditure areas:
- ICT services fell by €55,393,822: the decrease was mainly due to the renegotiation of the contract with the company VTS S.p.A.;
- Administrative services decreased by €25,877,737: the decrease is due above all to back-office services;
- System assistance: the higher figure (€26,285,496) was mainly due to greater assistance provided to Group companies;
- Expenses related to premises dropped by €10,159,815: the decrease was mainly due to a reduction in electricity costs (€1,700,585), cleaning costs (€ 4,070,258), building surveillance (€ 4,058,651) due to the streamlining and rationalisation of spaces performed by Real Estate;
- all costs were affected by application of the new pro-rata calculation.

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	**11,182,623**	**203,946**	**75,844**	**113,741**	**257,760**	**84,839**	**194,383**	**1,016,715**	**494,069**	**628,111**	**14,252,027**
Technical Advices	*154,882*	*6,361*	*0*	*0*	*0*	*430*	*38,948*	*0*	*0*	*0*	*200,621*
Professional services	*179,373*	*-36,210*	*-4,270*	*-2,285*	*-5,915*	*0*	*-24,132*	*-30,398*	*0*	*-537*	*75,625*
Property consultancy	*20,226*	*0*	*0*	*0*	*0*	*0*	*2,353*	*0*	*0*	*0*	*22,579*
Translations	*5,727*	*347*	*1,236*	*1,945*	*0*	*1,921*	*83*	*19,947*	*0*	*0*	*31,206*
Costs of checking operations	*5,754,462*	*0*	*0*	*0*	*50,000*	*0*	*0*	*579,354*	*30,037*	*0*	*6,413,853*
Independent auditors' reports	*457,304*	*21,244*	*0*	*0*	*0*	*11,929*	*31,685*	*153,759*	*38,398*	*0*	*714,319*
Administrative Advices	*71,824*	*173,957*	*70,927*	*98,091*	*0*	*29,288*	*40,273*	*139,968*	*374,141*	*331,438*	*1,329,905*
Labour consultancy	*0*	*9,514*	*73*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*9,587*
Tax advices	*1,065,316*	*17,014*	*0*	*3,900*	*93,691*	*21,350*	*20,601*	*28,315*	*8,324*	*169,834*	*1,428,344*
Fees for mediation (Interim)	*0*	*10,583*	*4,888*	*6,105*	*0*	*0*	*58,861*	*0*	*0*	*0*	*80,437*
Management and strategic consulting	*2,457,899*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*2,457,899*
Legal advices	*1,015,610*	*1,136*	*2,990*	*5,985*	*119,984*	*19,921*	*25,711*	*120,463*	*43,169*	*127,376*	*1,482,345*
Notaries Servicies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*5,307*	*0*	*0*	*5,307*
Administrative services	**53,626,951**	**15,571**	**11,276**	**37,889**	**452,420**	**146,012**	**242,034**	**1,545,595**	**200,402**	**1,023,564**	**57,301,713**
Other administrative expenses	*67*	*0*	*1,839*	*0*	*0*	*0*	*1,108*	*0*	*0*	*0*	*3,014*
Admninistrative services and back office	*52,645,312*	*6,208*	*0*	*37,889*	*451,626*	*4,917*	*123,077*	*1,545,595*	*146,495*	*971,518*	*55,932,637*
External storage services	*137,479*	*0*	*0*	*0*	*794*	*2,383*	*6,472*	*0*	*53,907*	*52,046*	*253,081*
Cost for service personnel	*844,093*	*9,363*	*9,437*	*0*	*0*	*138,712*	*111,377*	*0*	*0*	*0*	*1,112,981*
Informatic services	**281,510,917**	**6,016,808**	**4,930,950**	**7,978,546**	**1,682,908**	**0**	**34,421**	**125,534,942**	**174,193**	**54,759**	**427,918,444**
Servizi esterni ICT	*281,510,917*	*6,016,808*	*4,930,950*	*7,978,546*	*1,682,908*	*0*	*34,421*	*125,534,942*	*174,193*	*54,759*	*427,918,444*
Service biglietteria	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Servizio informatico	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Canoni TLQ retrocessi alle Banche	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Installazioni e assistenza software Europos	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Fixed price systems management assistance	**398,779,165**	**8,063,230**	**3,904,606**	**10,921,577**	**9,008,689**	**3,404,946**	**978,731**	**85,509,973**	**955,569**	**722,298**	**522,248,784**
Assistenza sistemistica	*398,779,165*	*8,063,230*	*3,904,606*	*10,921,577*	*9,008,689*	*3,404,946*	*978,731*	*85,509,973*	*955,569*	*722,298*	*522,248,784*
External costs capitalization	**-205,277,774**	**-1,619,452**	**-93,565**	**-736,981**	**0**	**0**	**0**	**-73,162,923**	**-193,443**	**0**	**-281,084,138**
Assistenza sistemistica capitalizzata	*-205,277,774*	*-1,619,452*	*-93,565*	*-736,981*	*0*	*0*	*0*	*-73,162,923*	*-193,443*	*0*	*-281,084,138*
Insurance	**3,121,511**	**964**	**0**	**1,049**	**15,433**	**0**	**0**	**9,659**	**8,866**	**85,530**	**3,243,012**
Data Transmission	**2,510,742**	**16,380**	**-40,944**	**54,045**	**493,324**	**4,674**	**6,239**	**1,007,912**	**123,423**	**240,780**	**4,416,576**
Infoprovider costs	**3,532,256**	**431,806**	**5,980**	**0**	**0**	**0**	**0**	**234,981**	**0**	**0**	**4,205,024**
Local and Building Expenses	**124,522,275**	**298,353**	**369,476**	**278,540**	**756,214**	**201,440**	**1,159,115**	**1,497,692**	**325,135**	**417,319**	**129,825,558**
Vigilance expenses	*23,882,907*	*0*	*0*	*0*	*0*	*0*	*33,271*	*0*	*0*	*5,320*	*23,921,498*
Security services	*839,605*	*480*	*599*	*2,160*	*0*	*0*	*-668*	*1,300,231*	*88,007*	*0*	*2,230,414*
Reception expenses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Local charges for cleaning and waste disposal	*22,944,946*	*65,534*	*2,131*	*57,627*	*0*	*56,901*	*430,116*	*0*	*21,547*	*108,109*	*23,686,911*
Contracts health hands	*901,966*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*901,966*
Energy and power	*48,313,913*	*122,245*	*36,052*	*168,652*	*182,404*	*58,153*	*520,244*	*0*	*122,027*	*63,839*	*49,587,529*
Utilities - Water	*2,428,417*	*11,997*	*1,754*	*2,570*	*0*	*5,461*	*26,270*	*0*	*0*	*0*	*2,476,469*
Heating expenses	*6,462,783*	*0*	*0*	*0*	*0*	*6,580*	*45,052*	*0*	*0*	*71,287*	*6,585,702*
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	*12,562,471*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*12,562,471*
Telephone	*6,179,034*	*92,301*	*328,234*	*47,171*	*573,810*	*74,201*	*104,830*	*184,650*	*93,554*	*168,764*	*7,846,548*
Representation expenses	**6,233**	**5,796**	**706**	**360**	**0**	**144**	**0**	**12,811**	**0**	**0**	**26,050**
Transport and shipments	**1,453,962**	**0**	**0**	**0**	**0**	**10,821**	**15,151**	**93,137**	**38,604**	**3,432**	**1,615,108**
Training expenses	**914,224**	**24,269**	**17,502**	**41,581**	**16,493**	**83,669**	**191,656**	**580,275**	**-2,068**	**660**	**1,868,262**
Hardware and software Maintenance	**52,179,874**	**4,563,214**	**1,452,666**	**3,257,088**	**2,992,607**	**76,716**	**79,596**	**39,178,116**	**904,369**	**1,492,422**	**106,176,669**
Hardware and ICT plants Maintenance	*7,452,852*	*1,124,361*	*96,016*	*715,184*	*930,396*	*76,716*	*66,658*	*11,262,883*	*251,345*	*-23,019*	*21,953,392*
Software Maintenance	*44,727,022*	*3,438,853*	*1,356,650*	*2,541,904*	*2,062,211*	*0*	*12,938*	*27,915,233*	*653,024*	*1,515,441*	*84,223,277*
Building Maintenance	**17,837,533**	**69,831**	**21,358**	**3,170**	**0**	**28,734**	**1,231,554**	**223,085**	**18,326**	**70,348**	**19,503,940**
Forniture, machines and equipments maintenance	**12,517,136**	**5,988**	**354**	**8,836**	**0**	**5,468**	**638**	**36,662**	**0**	**1,596**	**12,576,678**
Other maintenance	**589**	**422**	**0**	**29**	**0**	**0**	**0**	**0**	**0**	**0**	**1,040**
Logistic services	**975,585**	**28,938**	**0**	**8,934**	**-346**	**7,554**	**18,808**	**73,233**	**-3,657**	**2,894**	**1,111,944**
Servizi ausiliari	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Removals and porterage	*975,585*	*28,938*	*0*	*8,934*	*-346*	*7,554*	*18,808*	*73,233*	*-3,657*	*2,894*	*1,111,944*
Traslochi e facchinaggio	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Real estate services	**2,507,893**	**0**	**-200**	**0**	**0**	**33,265**	**0**	**2,193,939**	**8,324**	**0**	**4,743,221**
Travel Expenses	**3,543,119**	**84,970**	**16,182**	**71,152**	**240,373**	**268,302**	**1,170,888**	**932,228**	**18,009**	**10,520**	**6,355,742**
Convention and internal comunication	**157,541**	**0**	**0**	**2,284**	**0**	**5,620**	**21,689**	**-68,133**	**2,660**	**0**	**121,662**
Advertising expenses, marketng expenses and sponsorship	**217,156**	**0**	**0**	**0**	**2,266**	**820**	**10,436**	**60,123**	**4,162**	**0**	**294,963**
Collector accounts	**29,291,066**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**29,291,066**
Other expenses	**2,735,017**	**49,569**	**42,414**	**84,253**	**0**	**159,038**	**179,250**	**1,306,843**	**52,625**	**19,461**	**4,628,471**
Postal expenses	*2,121,309*	*1,466*	*842*	*2,098*	*0*	*1,829*	*-356*	*0*	*-2,589*	*18,816*	*2,143,415*
Drawback fees for Ticket Services	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other expenses	*613,708*	*48,103*	*41,572*	*82,155*	*0*	*157,209*	*179,606*	*1,306,843*	*55,214*	*645*	*2,485,056*
TOTAL	**797,839,361**	**18,254,807**	**10,713,899**	**22,125,733**	**15,918,141**	**4,521,918**	**5,534,589**	**187,804,054**	**3,129,568**	**4,773,694**	**1,070,615,766**

Notes to the Income Statement (Continued)

Costs for use of third-party assets

The breakdown of the item is shown below:

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Rental expenses for real estate	319,869,435	363,580,590	-43,711,155
Rental car	2,128,517	2,975,527	-847,010
Rental office equipment and software ICT	27,401,477	25,111,132	2,290,345
TOTAL	**349,399,429**	**391,667,249**	**-42,267,820**

“Rental of Premises” consisted in rental expenses for premises sub-leased to Group companies 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	SLOVAK REPUBLIC	HUNGARY	GREAT BRITAIN	POLAND	ROMANIA	GERMANY	SINGAPORE	NEW YORK	TOTAL
Rental expenses for real estate	271,718,762	1,028,775	195,416	881,309	5,545,455	1,050,310	3,388,251	34,131,086	990,524	939,547	319,869,435
Rental car	1,033,905	12,856	5,004	68,859	0	0	0	1,007,892	0	0	2,185,517
Rental office equipment and software ICT	18,114,403	84,180	7,851	11,274	1,115,768	50,249	0	7,778,751	199,563	39,437	27,401,477
TOTAL	**290,867,072**	**1,125,811**	**208,271**	**961,442**	**6,661,223**	**1,100,559**	**3,388,251**	**42,917,729**	**1,190,087**	**978,984**	**349,399,429**

Personnel expense

The breakdown of the item is shown below:

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATION
Wages and salaries	**358,669,318**	**385,328,928**	**-26,659,610**
Social securities charges	**89,136,788**	**102,275,019**	**-13,138,231**
Provisions for emploiment severance indemnities	**1,137,810**	**1,252,487**	**-114,677**
Accrual retirement provisions	**10,668,259**	**12,502,008**	**-1,833,749**
Other personnel expenses	**78,158,199**	**88,602,867**	**-10,444,668**
External supplementary pension funds payments	*14,771,188*	*16,143,974*	*-1,372,786*
Share-based payments expenses	*1,043,758*	*620,542*	*423,216*
Incentives plans	*-9,047,818*	*15,292,969*	*-24,340,787*
Seniority bonuses	*6,917,571*	*8,906*	*6,908,665*
Other employee benefits	*31,706,716*	*30,536,721*	*1,169,995*
Seconded employee costs	*19,014,876*	*8,250,347*	*10,764,529*
Job administer	*1,525,136*	*1,945,147*	*-420,011*
Admin. Expenses	*213,606*	*241,790*	*-28,184*
Statutory auditor fees	*136,996*	*124,634*	*12,362*
Meal subsidy	*5,398,063*	*5,791,072*	*-393,009*
Insurance policies for personnel	*6,649,456*	*8,711,660*	*-2,062,204*
Other personnel expenses: other	*-171,349*	*935,105*	*-1,106,454*
Recovery of personnel expenses	**-15,459,196**	**-10,991,827**	**-4,467,369**
Seconded employees recovery expenses	*-13,850,772*	*-8,674,364*	*-5,176,408*
Admin. Payable recovery	*-74,829*	*-88,345*	*13,516*
Other personnel reimbursement	*-1,533,595*	*-2,229,118*	*695,523*
Recovery of capitalized costs	**-75,964,731**	**-69,764,845**	**-6,199,886**
TOTAL	**446,346,447**	**509,204,637**	**-62,858,190**

The drop in the item “Personnel costs” (€ -62,858,190) was mainly due to a reduction in remunerations and the relative social security costs due to the reduction of personnel and the release in Germany of the Multi Year Plan and of someincentive plans in Italy.

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	**169,965,045**	**4,943,156**	**1,785,991**	**5,603,929**	**7,122,562**	**10,728,214**	**29,755,864**	**122,132,431**	**2,451,124**	**4,181,002**	**358,669,318**
Social securities charges	**56,204,231**	**1,798,006**	**667,122**	**1,599,078**	**1,951,984**	**1,650,481**	**1,265,230**	**22,705,914**	**294,952**	**999,790**	**89,136,788**
Provisions for emploiment severance indemnities	**1,137,810**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,137,810**
Accrual retirement provisions	**0**	**0**	**0**	**0**	**0**	**3,248**	**0**	**10,665,011**	**0**	**0**	**10,668,259**
Other personnel expenses	**49,304,241**	**925,313**	**892,184**	**638,382**	**3,857,301**	**1,336,012**	**3,999,118**	**14,164,426**	**922,973**	**2,118,249**	**78,158,199**
External supplementary pension funds payments	*10,273,550*	*0*	*0*	*0*	*100,633*	*0*	*0*	*4,397,005*	*0*	*0*	*14,771,188*
Share-based payments expenses	*849,989*	*0*	*0*	*0*	*0*	*0*	*0*	*193,770*	*0*	*0*	*1,043,759*
Incentives plans	*-7,092,925*	*1,639*	*14,066*	*0*	*2,956,583*	*0*	*0*	*-5,468,791*	*264,148*	*277,461*	*-9,047,819*
Seniority bonuses	*6,910,036*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*7,535*	*0*	*6,917,571*
Other employee benefits	*17,220,643*	*396,372*	*158,685*	*427,713*	*97,813*	*927,269*	*1,736,932*	*10,300,061*	*93,124*	*348,106*	*31,706,718*
Seconded employee costs	*14,247,383*	*-52,891*	*561,938*	*0*	*-95,115*	*-64,137*	*334,748*	*4,025,770*	*57,181*	*0*	*19,014,877*
Job administer	*-4,430*	*274,017*	*66,329*	*16,059*	*337,722*	*0*	*376,827*	*-22,121*	*299,168*	*181,564*	*1,525,135*
Admin. Expenses	*213,606*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*213,606*
Statutory auditor fees	*136,996*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*136,996*
Meal subsidy	*2,561,961*	*97,275*	*40,758*	*4,467*	*0*	*213,368*	*964,265*	*1,511,505*	*2,241*	*2,223*	*5,398,063*
Insurance policies for personnel	*4,306,858*	*48,249*	*663*	*0*	*475,371*	*30,531*	*192,685*	*197,203*	*119,418*	*1,278,477*	*6,649,455*
Other personnel expenses: other	*-319,426*	*160,652*	*49,745*	*190,143*	*-15,706*	*228,981*	*393,661*	*-969,976*	*80,158*	*30,418*	*-171,350*
Recovery of personnel expenses	**-13,417,028**	**-318,673**	**561,938**	**-944**	**-229,661**	**-145,439**	**-961,671**	**-947,718**	**0**	**0**	**-15,459,196**
Seconded employees recovery expenses	*-10,872,913*	*-690,484*	*559,409*	*-59,286*	*-239,012*	*-140,650*	*-1,328,858*	*-1,078,978*	*0*	*0*	*-13,850,772*
Admin. Payable recovery	*-74,829*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-74,829*
Other personnel reimbursement	*-2,469,286*	*371,811*	*2,529*	*58,342*	*9,351*	*-4,789*	*367,187*	*131,260*	*0*	*0*	*-1,533,595*
Internal costs capitalization	**-51,719,676**	**-407,696**	**-14,740**	**-151,819**	**0**	**0**	**0**	**-23,637,805**	**-32,995**	**0**	**-75,964,731**
TOTAL	**211,474,623**	**6,940,106**	**3,892,495**	**7,688,626**	**12,702,186**	**13,572,516**	**34,058,541**	**145,082,259**	**3,636,054**	**7,299,041**	**446,346,447**

Notes to the Income Statement (Continued)

Amortisation and depreciation expense

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Amortization of tangible assets	**59,877,569**	**58,310,174**	**1,567,395**
Amortization of buildings held for functional use	*148,271*	*148,271*	*0*
Amortization of plants and equipments	*53,130,174*	*51,282,200*	*1,847,974*
Amortization of industrial and commercial equipments	*880,659*	*891,040*	*-10,381*
Amortization other assets	*5,718,465*	*5,988,663*	*-270,198*
Amortization of intangible assets	**279,336,478**	**255,966,413**	**23,370,065**
Amortization of industrial patent right and use of intellectual works	*256,478,218*	*233,069,022*	*23,409,196*
Amortization of concessions, licences, trademarks, and similar	*22,858,260*	*22,897,391*	*-39,131*
Impairment losses	**10,443,864**	**19,427,796**	**-8,983,932**
Adjustment Software	*9,684,753*	*19,374,675*	*-9,689,922*
Provision for bad debts	*683,874*	*53,121*	*630,753*
Adjustment Plants and equipments	*75,237*	*0*	*75,237*
TOTAL	**349,657,911**	**333,704,383**	**15,953,528**

Amortisation and write-downs on tangible and intangible assets for year 2018 amounted to € 349,657,911.

Amortisation increased compared to the same period of the previous year mainly due to greater amortisations on software developed in-house.
During the year there were lasting write-downs for €10,443,864.

Provisions

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Labour litigation charges	**538,454**	**-54,158**	**592,612**
Other provisions	**6,613,100**	**-12,322,934**	**18,936,034**
Provision for litigation	*58,991*	*419,468*	*-360,477*
Provision for other risks and charges	*6,554,109*	*-12,742,402*	*19,296,511*
TOTAL	**7,151,554**	**-12,377,092**	**19,528,646**

The amount of € 7,151,554 is mainly from:
- the “termination fee” for the Newton project of € 5,951 million;
- the VTS SpA penalty of €1,506 million;
- the provision for tax litigation for €2,800 million;
- release of the provision for €4 million for early transfers from Real Estate premises.

Other operating expenses

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Indeducible VAT	59,248,395	34,603,302	24,645,093
Indirect taxes	6,879,415	6,712,550	166,865
Registry tax	*3,216,035*	*3,178,345*	*37,690*
Waste disposal tax	*2,075,337*	*1,160,876*	*914,461*
Stamp duty	*40,788*	*36,576*	*4,212*
Other indirect taxes	*1,547,255*	*2,336,753*	*-789,498*
Amortization of third parties goods improvements	12,837,713	15,257,865	-2,420,152
Social initiatives	16,099	18,081	-1,982
Partecipation in associations	88,057	112,434	-24,377
Loss on exchange	5,045,266	5,923,016	-877,750
Other expenses	1,531,953	2,387,352	-855,399
TOTAL	**85,646,898**	**65,014,600**	**20,632,298**

The item consisted mostly of:
- non-deductible VAT paid by the Italian Head Office for services received from the Subsidiary UniCredit Services GmbH;
- stamp tax on lease contracts payable, municipal taxes for urban waste;
- losses on exchange of the foreign branches not expressed in Euro;
- Amortisation of improvements made to Group buildings (€ 2,476,017), not of the Group (€ 10,122,676) and write-downs of improvements to third party buildings (€ 239,020).

Financial income

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Dividends	910,462	1,830,000	-919,538
Active interest on bank deposits	2,070	2,462	-392
Active interests on guarantee depositis	8,378	4,387	3,991
Other financial income	1,421,443	768,118	653,325
TOTAL	**2,342,353**	**2,604,967**	**-262,614**

Financial income mainly shows interest income accrued on current accounts held by the Company.
- "Dividends" includes dividends of our investee UNI IT (€610,462) and of our joint venture VTS SpA (€300,000);
- "Other financial income " mainly includes interest income, reimbursement requests for IRAP of previous years (€919,651) and gains on disposal of equity investments (€416,388).

Financial expenses

(Amounts given in €)

	12.31.2018	12.31.2017	VARIATIONS
Financial expenses on financing	-3,264,488	-2,528,341	-736,147
Financial expenses on deafult interest	623,100	27,315	595,785
Financial expenses on bank deposits	752,005	581,273	170,732
Financial expenses on guarantees	1,032,068	1,177,275	-145,207
Other financial expenses	15,690	26,128,581	-26,112,891
TOTAL	**-841,625**	**25,386,103**	**-26,227,728**

The item "Financial expenses" includes interest expense payable to UniCredit S.p.A. for credit lines on current bank accounts and loans payable.
The negative value to due to the drop in the interest rate applied to the credit line.
Interest expense on loans referred to loans in place and/or expiring over the course of 2018. The average monthly liquidity requirement in 2018 amounted to €1,458,333,333, at an average interest rate of -0.223% (negative).

Income tax for the year

(Amounts given in €)

	IRES	IRAP	TOTAL
CURRENT TAXES	8,673,069	572,000	9,245,069
VARIATIONS IN CURRENT TAXES PREVIOUS YEARS	-772,802	0	-772,802
DEFERRED TAX INCOME	-5,964,604	15,517	-5,949,087
DEFERRED TAX EXPENSE	0	0	0
TOTAL 12.31.2018	**1,935,663**	**587,517**	**2,523,180**

The item "Current taxes" of € 9,245,069 mainly includes the current taxes of foreign branches (€ 8,673,069).

The revenue of € 5,964,604 reported under IRES deferred tax assets are mainly due to the imputation of revenues for foreign tax credits of € 16,419,624 following the reimbursement received from UCI SpA as part of the National Tax Consolidation referring to the tax returns of previous years and the IRES cost for the year equal to € 6,832,000, shown as a reduction in deferred tax assets as it was deducted from losses previous. The remainder refers to changes in prepaid taxes for the period.

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	**19,795**
Applicable theoretical rate	**24%**
Theoretical taxes	**-4,751**
Tax effects deriving from	
Non taxable revenue - permanent differences	*199*
Non deductible fiscal costs - permanent differences	*-9,516*
Other deductible costs - permanent differences	*2,930*
Other differences - amendment to rate on deferred taxes	*0*
Other differences - amendment to rate on deferred taxes for previous financial years	*0*
Other differences	*9,203*
Income taxes recognised in the income statement - A	**-1,935**

IRAP 4.82%

(€ thousands)

Difference between positive and negative components	**532,508**
Applicable theoretical rate	**4,82%**
Theoretical taxes	**-25,667**
Tax effects deriving from	
Non taxable revenue - permanent differences	*740*
Other taxable revenue - permanent differences	*-1,605*
Insignificant costs - permanent differences	*-1,180*
Other deductible costs - permanent differences	*27,125*
Other differences - amendment to rate on deferred taxes	*0*
Other differences - amendment to rate on deferred taxes for previous financial years	*0*
Other differences	*-1*
Income taxes recognised in the statement - B	**-588**
Income taxes A+B	**-2,523**

Statement of Comprehensive Income

	ITEMS	GROSS AMOUNT	INCOME TAX	NET AMOUNT
10.	**Profit or Loss**	**19,795,229**	**-2,523,180**	**17,272,049**
	Other comprehensive income not reversed to Income Statement			
20.	Equity Instruments designated at Fair Value through Other Comprehensive Income			
30.	Financial Liabilities at Fair Value, Credit Risk component			
40.	Hedging of Equity Instruments designated at Fair Value through Other Comprehensive Income			
50.	Tangible assets			
60.	Intangible assets			
70.	Defined benefit Plans	-10,017,008	2,404,082	-7,612,926
	Other elements after tax with recycle to income statement:			
100.	**Hedging external investments:**			
	a) Changes in fair value			
	b) Transfers to other net equity items			
	c) other changes			
110.	**Exchange differences:**			
	a) Changes in fair value			
	b) Transfers to other net equity items			
	c) other changes			
120.	**Hedging of financial flows:**			
	a) Changes in fair value			
	b) Transfers to other net equity items			
	c) other changes			
130.	**Hedging Item**			
140.	**Financial assets other than equity instruments at fair value through other comprehensive income:**			
	a) Changes in fair value			
	b) reclassification through profit or loss			
	impairment losses			
	following disposal			
	c) other changes			
150.	**Non-current assets and disposal groups classified as held for sale:**			
	a) Changes in fair value			
	b) Transfers to other net equity items			
	c) other changes			
160.	**Changes in valuation reserve pertaining to equity method investments:**			
	a) Changes in fair value			
	b) reclassification through profit or loss			
	impairment losses			
	following disposal			
	c) other changes			
170.	**Other elements after tax**	**-10,017,008**	**2,404,082**	**-7,612,926**
180.	**Total profitability**	**9,778,222**	**-119,098**	**9,659,123**

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, 2017.

Reclassified statement of financial position as at december 31, 2017

(Amounts given in millions of €)

ASSETS	
Cash and cash equivalents	25,817
Financial trading assets	13,864
Loans and advances to banks	27,567
Loans and advances to customers	208,965
Financial investments	105,278
Hedges	6,114
Property and equipment	2,209
Goodwill	-
Other intangible assets	4
Tax assets	10,311
Non-current assets and disposal groups classified as held for sale groups in track of disposal	150
Other assets	4,701
TOTAL ASSETS	**404,980**

LIABILITIES AND EQUITY	
Deposit from banks	56,807
Customer deposits and securities	262,084
Financial trading liabilities	13,068
Financial liabilities valued at fair value	2,738
Hedges	6,279
Provision for risks and charges	1,843
Tax liabilities	1
Liabilities associated with disposal groups classified as assets held for sale	-
Other liabilities	8,652
Equity:	53,508
- capital and reserves	*46,964*
- reserves for valuation of assets available for sale and cash-flow hedge	*308*
- profit for the year	*6,236*
Total liabilities and total equity	**404,980**

Reclassified income statement - 2017

(Amounts given in millions of €)

Net interest	3,711
Dividends and other income from investments	3,808
Net commissions	3,798
Net gains on trading, hedges and fair value	302
Other expense	-95
OPERATING INCOME	**11,524**
Personnel expense	-3,139
Other administrative expenses	-2,694
Recovery of expenses	546
Inpairment losses on property and equipment and intangible assets	-137
Operating costs	**-5,424**
OPERATING PROFIT	**6,100**
Net impairment of loans and provisions for guarantees	-1,854
NET OPERATING PROFIT	**4,246**
Net provisions for risks and charges	-565
Integration charges	14
Net profit (losses) on investments	2,427
GROSS PROFIT FROM CONT. OPERAT.	**6,122**
Income taxes for the financial year	30
NET PROFIT FROM CONT. OPERAT.	**6,152**
Profit (Loss of net tax, assets classified as assets held)	84
Impairment of goodwill	-
PROFIT (LOSS) FOR THE YEAR	**6,236**

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. t 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 €)

	12.31.2018			
BALANCE SHEET	CONTROLLING ENTITY	CONTROLLED ENTITIES	ENTITIES CONTROLLED BY CONTROLLER	OTHER COMPANIES
ASSETS				
Equity investment		**49,647,961**	**1,000**	**3,431,845**
NON CURRENT ASSETS	**0**	**49,647,961**	**1,000**	**3,431,845**
Trade Receivables	232,577,365	33,192,660	19,686,192	93,067,569
Current tax assets	16,543,869	0	0	0
Other Current Activities	146,365	0	3,439,228	0
Cash and Cash Equivalents	331,123,078	0	107,818,461	0
CURRENT ASSETS	**580,390,677**	**33,192,660**	**130,943,881**	**93,067,569**
TOTAL ASSETS	**580,390,677**	**82,840,621**	**130,944,881**	**96,499,414**
Short-term borrowings	1,599,829,222	0	0	0
Trade payables	25,988,191	15,032,740	14,938,842	12,620,798
Other current liabilities	295,110	0	10,927,883	0
CURRENT LIABILITIES	**1,626,112,524**	**15,032,740**	**25,866,725**	**12,620,798**
TOTAL LIABILITIES	**1,626,112,524**	**15,032,740**	**25,866,725**	**12,620,798**

Other Information (Continued)

The column “other companies” shows the value of dealing with Value Transformation Services S.p.A..

(Amounts given in €)

	12.31.2018			
PROFIT & LOSS	CONTROLLING ENTITY	CONTROLLED ENTITIES	ENTITIES CONTROLLED BY CONTROLLER	OTHER COMPANIES
Revenues from sales and services	1,366,030,140	80,044,496	813,654,353	24,961,113
Other revenues and incomes	-1,600	17,200	489,576	0
Total value of production	**1,366,028,540**	**80,061,696**	**814,143,929**	**24,961,113**
Costs for raw materials, subsidiary material, consumables and goods	0	0	94,490	94,490
Costs for services	8,336,127	35,168,950	35,093,203	466,913,136
Costs for use of third-party assets	18,656,072	0	52,611,475	0
Personnel expenses	3,834,110	-828,996	4,444,384	20,242,022
Other operating charges	19,081	0	796,786	0
Total cost of production	**30,845,389**	**34,339,954**	**93,040,338**	**487,249,648**
Financial income	1,826	0	850,093	243
Financial expenses	-1,880,780	0	400,912	0
Net financial incomes/expenses	**-1,878,954**	**0**	**1,251,005**	**243**

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 2018, 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 Services S.C.p.A. and by its foreign branches for the auditing of accounts.

(Amounts given in €)

TYPE OF SERVICE	SERVICE PROVIDER	UNICREDIT SERVICES S.C.P.A.	FEES
Independent auditing of the Annual Financial Statements and limited auditing procedures on the interim accounting statements	DELOITTE	Subsidiaries	505.956
Other non-auditing services	DELOITTE NETWORK	Subsidiaries	3,342,049
TOTAL 12.31.2018			**3,848,005**

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

1.1 Outstanding instruments
Group Medium & Long Term Incentive Plans for selected employees include the following category:
- Equity-Settled Share Based Payments;

The first category includes the following:
- **Stock Options** allocated to selected top & senior managers and key talents of the Group and represented by subscription rights of UniCredit shares;
- **Group Executive Incentive System** that offers to eligible Group executive a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment in cash and/or in UniCredit shares; the payment is related to the achievement of performance conditions (other than market conditions) stated in the plan rules;
- **Group Executive Incentive System (Bonus Pool)** that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of ranging from 1 to 6 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level) and claw back conditions (as legally enforceable) as defined in plan rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP - Let's share)** that offers to eligible Group employees the opportunity to buy UniCredit ordinary shares with the advantages to foresee the granting of free ordinary shares ("Free Shares") or rights to receive them measured on the basis of the shares purchased by each participant ("Investment Shares") during the "enrolment period". The granting of free ordinary shares is subordinated to the plan rules;
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, as defined in plan rules. The plan is structured on 3-years performance period, aligned to the new UniCredit strategic plan and provides for the allocation of one award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;

It is also noted that, according to Banca d'Italia Circular 285 (VII update dated November 19, 2014), the equity settled share-based payments, represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

1.2 Measurement model
1.2.1 Stock Options
The Hull and White evaluation model has been adopted to measure the economic value of stock options.
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:
- reaching a market share value equals to an exercise price multiple (M);
- probability of beneficiaries' early exit (E) after the end of the vesting period.

Economic and equity effects will be recognized on a basis of instrument vesting period.
Any new stock options' plans haven't been granted during 2017.

1.2.2 Group Executive Incentive System
The amount of the incentive is determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the employee's relevant manager is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions).
This percentage, adjusted by the application of a risk/opportunity factor - Group Gate - at first payment multiplied by the bonus opportunity, determines the effective amount that will be paid to the beneficiary.
Economic and net equity effects will be accrued on a basis of instruments' vesting period.

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.

Economic and net equity effects will be accrued on a basis of instruments' vesting period.

Other Information (Continued)

Group Executive Incentive System "Bonus pool 2017" - Shares

The plan is divided into clusters, each of which can have three or four installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2016			
	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)
Date of Bonus Opportunity Economic Value granting	Feb-09-2017	Feb-09-2017	Feb-09-2017	Feb-09-2017
Date of Board resolution (to determine number of shares)	Mar-05-2018	Mar-05-2018	Mar-05-2018	Mar-05-2018
Vesting Period start date	Gen-01-2017	Gen-01-2017	Gen-01-2017	Gen-01-2017
Vesting Period end date	Dec-31-2017	Dec-31-2019	Dec-31-2020	Dec-31-2021
UniCredit Share Market Price [€]	17.451	17.451	17.451	17.451
Economic Value of Vesting conditions [€]	-0.651	-1.314	-1.973	-2.626
Performance Shares' Fair Value per unit at Grant Date [€](*)	**16.800**	**16.137**	**15.478**	**14.825**

(*) The same Fair Value per unit are used for the quantification of costs connected to share based payments for the settlement of golden parachute.

Group Executive Incentive System 2018 (Bonus Pool)

The new Group Incentive System 2018 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:
- sustainability, through direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to Executives and other relevant employee, identified on a basis of European Bank Authority (EBA) rules, according to local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

1.2.4 Long Term Incentive 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 divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

	SHARES GRANTED LONG TERM INCENTIVE 2017-2019			
	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)	INSTALLMENT (2023)
Date of Bonus Opportunity Economic Value granting	Jan-09-2017	Jan-09-2017	Jan-09-2017	Jan-09-2017
Date of Board resolution (to determine number of shares)	Jan-09-2017	Jan-09-2017	Jan-09-2017	Jan-09-2017
Vesting Period start date	Jan-01-2017	Jan-01-2017	Jan-01-2017	Jan-01-2017
Vesting Period end date	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
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
Performance Shares' Fair Value per unit at Grant Date [€]	**13.253**	**12.821**	**12.391**	**11.963**

B. QUANTITATIVE INFORMATION

2. Other information

Effects on Profit and Loss

All Share-Based Payment granted after November 7, 2002 whose vesting period ends after January 1, 2005 are included within the scope of the IFRS2.

Financial statement presentation related to share based payments

(€ thousand)

	2018		2017	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
Costs	**1,688**		**1,553**	
- connected to Equity Settled Plans	*784*		*1,374*	
- connected to CashSettled	*904*		179	
- Paid amount to UniCredit S.p.A. related to vested plans		**280**		**1,292**
- Paid amount to employees related to Cash Settled		**801**		**550**
- Accrued Debts towards UniCredit S.p.A.	**3,944**	**-**	**4,488**	**-**
- Accrued Debts towards employees related to Cash Settled	**1,187**	**-**	**1,268**	**-**

Personnel

GRADE	ITALY	ROMANIA	SINGAPORE	CZECH REP.	GERMANY	HUNGARY	POLAND	SLOVAKIA	UNITED KINGDOM	NEW YORK	TOTAL
Executives	**8**										**8**
Full time	8										8
Middle Manager	**294**	**15**		**5**	**122**	**8**	**4**	**1**	**8**	**10**	**467**
Full time	290	15		5	119	8	3	1	8	10	459
Part time	4				3		1				8
Remaining Staff	**2,919**	**1,644**	**45**	**113**	**1,810**	**161**	**528**	**51**	**73**	**32**	**7,376**
Full time	2,591	1,589	45	102	1,185	159	509	50	70	32	6,332
Part time	328	55		11	625	2	19	1	3		1,044
Total	**3,221**	**1,659**	**45**	**118**	**1,932**	**169**	**532**	**52**	**81**	**42**	**7,851**

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	12.31.2018
Directors' fees	213,606
Statutory auditors' fees	129,086
TOTAL	**342,692**

Improve asset quality.

We are continuing to improve our asset quality by de-risking our balance sheet, fully on track for the accelerated rundown of our Non Core portfolio by 2021. A disciplined risk management approach guarantees high quality origination across the Group.

Reports and Resolutions

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report

BOARD OF STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018
PURSUANT TO ART. 2429(2), ITALIAN CIVIL CODE

To the Shareholders' Meeting of UniCredit Services S.C.p.A.

Dear Shareholders, over the year ended December 31, 2018 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 and held n. 13 meetings during the 2018.

In 2018, the Board attended:

- the ordinary and extraordinary shareholders' meeting held on April 9, 2018;
- all ten meetings of the Board of Directors (n.8) 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. On October 2018, a meeting between the Board and the

Board of Statutory Auditors' Report (Continued)

Supervisory Body allowed a reciprocal update and an exchange of views on the general situation of UniCredit Services.

- No reports were received by the Supervisory Body of conduct breaching the rules of the organizational model adopted by the Company.
- "Motivated proposal for the integration of the audit of UniCredit Business Integrated Solutions S.C.p.A." has been released (now UniCredit Services S.C.p.A.) pursuant to art. 13 of Legislative Decree 39/2010, dated March 28, 2018.
- A favorable opinion was issued pursuant to Article 2338 paragraph I of the Civil Code during the Board of Directors meeting of 26 July 2018.

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 observation 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, 2018 did not produce any unusual findings or issues that would justify further investigation or disclosure in the letter to the Shareholders' Meeting,
- The audit report on the financial statements for 2018 dated March 18, 2019, 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, 2018 and of the performance and cash flows for the year ended at the reporting dale, in compliance with the International Financial Reporting Standards endorsed by The European Union.*

Board of Statutory Auditors' Report

and

"In our judgment, the Report on Operations is consistent with the financial statements of UniCredit Services at December 31, 2018 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 2018 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 2018 and on the basis of the findings concerning the risks arising in the year, we report that, there was a significant decrease in ICT incidents compared to 2017. With regard to ICT security incidents, there was a growing trend of those classified as major in the last four months mainly due to the introduction (May) of the General Data Protection Regulation which extended the perimeter of the events to be tracked in this category. A good overall resilience of the system is therefore confirmed.

The operational risk management and control system - ORM System - of UniCredit Services complies with the main regulations and Group standards and is adequate to effectively monitor and manage operational risk based on the method defined by the Parent Company. The analyzes conducted by Risk Management on data and processes have confirmed that the overall result of the self-assessment performed is "Fully Adequate". The independent audits performed by the internal audit function confirmed the adequacy with respect to the Group model; the operational risk

Board of Statutory Auditors' Report (Continued)

management system was assessed as "Good" as well as the completeness and correctness of the ORM Self-Assessment Report was ascertained and therefore the evaluation of the document was confirmed with "Good" judgment.

Monitoring, validation, reminder and support activities continued for the closure of internal audits.

The Board inspected the report on the activities performed by the Compliance function. which confirmed the achievement of the objectives set by the 2018 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, 2018 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 4, 2019. The draft financial statements show a profit for the year of € 17,272,049 and shareholders' equity of € 366.695,251.
- 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. Havin º 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, 2018; the notes to the financial statements and the 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.

Board of Statutory Auditors' Report

Transactions with related parties

Unicredit Services is a member of the UniCredit Group S.p.A. 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, 2018, 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 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 profit for the year.

Milano, 20 marzo 2019

For the Board of Directors of Unicredit Services S.C.p.A.

The Chairman

Roberto Bianco

Report of the External Auditors

Deloitte.

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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 Services S.C.p.A.
(Formerly 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 Services S.C.p.A. (the Company), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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 Services S.C.p.A. are responsible for the preparation of the report on operations of UniCredit Services S.C.p.A. as at December 31, 2018, including its consistency with the related financial statements and its compliance with the law.

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

Services S.C.p.A. as at December 31, 2018 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 Services S.C.p.A. as at December 31, 2018 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 18, 2019

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 Services S.C.p.A. Board of Directors in its meeting of 4 February 2019 convened the Ordinary Annual General Meeting of UniCredit Services S.C.p.A. Shareholders pursuant to art. 2366 of the Italian Civil Code.
The convocation is for April 8, 2019 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 31.12.2018 and consequent resolutions;
2) Resolutions of members of the Board of Directors;
3) Resolutions of Board member/s;
4) Integration of the appointment of Auditors.

Meeting Resolutions

Shareholders' Meeting resolutions

The ordinary Shareholders' Meeting of UniCredit Services S.C.p.A. held on April 8, 2019, passed resolution:

- to approve the financial statements at December 31, 2018 which show a profit for the year of € 17,272,049. 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 € 17,272,049 as follows:
  - to the Legal Reserve: € 863.602;
  - to the Extraordinary Reserve: € 16.408.447;
- to leave the current number of members of the Board of Directors of UniCredit Services S.C.p.A. (ten members);
- to approve the appointment of Mr. Stefan Karl Vogt born in Wangen, Switzerland on September 30, 1969 as a member of the Board of Directors of UniCredit Services S.C.p.A. and whose term of mandate will end with that of the Directors in office;
- to approve the appointment of Mrs Finja Carolin Kuetz, born in Berlin on 24 January 1972 as a member of the Board of Directors of UniCredit Services S.C.p.A. and whose term of mandate will end with that of the Directors in office;
- to integrate, in the terms and with the methods set out to the company Deloitte & Touche S.p.A. the statutory audit assignment, that in particular will involve:
  - an increase of 230 estimated hours of work and an increase in annual fees of about 35,000 euro (plus VAT).

Cover and Introduction: UniCredit S.p.A.

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April 2019

Solutions that matter.

UniCredit Services

www.unicreditgroup.eu/en/microsites/unicreditservices.html