

# One Bank One UniCredit

2016

UniCredit S.p.A.  
Reports and Accounts

GENERAL MEETING DRAFT

Welcome to  
 UniCredit



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

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

Our vision is to be “One Bank, One UniCredit”.

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

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

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

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

Life is full of ups and downs.  
We're there for both.



# One Bank, One UniCredit.



**A shared vision based on [Five Fundamentals](#).**

As a strong pan-European Group with leading banks in 14 core markets, and operations in another 18 countries, we perfectly embody our vision to be “One Bank, One UniCredit”. A simple pan-European commercial bank enriched by multiple cultures where everybody shares the same vision and are guided by our Five Fundamentals: Customers First, People Development, Execution & Discipline, Cooperation & Synergies and Risk Management.

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## Notes

The following conventional symbols have been used in the tables:

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

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

# Simple Pan-European Commercial Bank



We are a simple pan-European commercial bank with a fully plugged in CIB, enriched by multiple cultures and strong local knowledge, where everybody shares the same vision: One Bank, One UniCredit. That's why when it comes to our client's international needs we have the solution. Whether it is trade or other banking services, we can help: with our deep local knowledge and our unique Western Central and Eastern European network serving our clients in Europe and beyond, we are fully equipped to meet our clients' needs, both in our home-markets and further afield.

# Introduction

<b>Board of Directors, Board of Statutory Auditors, and External Auditors as at December 31, 2016</b>	<b>7</b>
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# Customers First



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



# Board of Directors, Board of Statutory Auditors and External Auditors as at December 31, 2016

	<b>Board of Directors</b>
Giuseppe Vita	Chairman
Vincenzo Calandra Buonauro	Deputy Vice Chairman
Luca Cordero di Montezemolo Fabrizio Palenzona(*)	Vice Chairman
Jean Pierre Mustier	CEO
Mohamed Hamad Al Mehairi Sergio Balbinot Cesare Bioni Henryka Bochniarz Martha Boeckenfeld Alessandro Caltagirone Lucrezia Reichlin Clara-Christina Streit Paola Vezzani Alexander Wolfgring Anthony Wyand Elena Zambon	Directors
Gianpaolo Alessandro	Company Secretary
	<b>Board of Statutory Auditors</b>
Pierpaolo Singer	Chairman
Angelo Rocco Bonisconi Enrico Laghi Benedetta Navarra Maria Enrica Spinardi	Standing Auditors
Francesco Giordano	<b>Manager in charge with preparing the financial reports</b>
Deloitte & Touche S.p.A.	<b>External Auditors</b>

(\*) On March 1, 2017 Mr. Fabrizio Palenzona was stepping down from his role as Vice Chairman.

## **UniCredit S.p.A.**

A joint stock company

**Registered Office in Rome:** Via Alessandro Specchi, 16 - 00186 Roma

**Head Office in Milan:** Piazza Gae Aulenti, 3 - Tower A - 20154 Milano

Share capital € 20,862,962,205.11 fully paid in

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1

Cod. ABI 02008.1

Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101

Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

# Chairman's message

“With the launch of the Transform 2019 Strategic Plan, UniCredit introduced a new way of banking – a way that is both more sustainable and more competitive.”

**Giuseppe Vita**

Chairman



Dear Shareholders,

2016 saw a series of upheavals that significantly contributed to uncertainty about the future. It began with rising concerns about the health of the Italian banking sector, continued with the jolt that Brexit delivered to an already weakened Europe, and closed with rising turmoil in the Middle East and the introduction of new unknowns to a changing geopolitical landscape. Through it all, a steady stream of terrorist attacks further undermined our shared sense of security.

Concurrently, the European banking industry was compelled to reinvent itself in an era of zero interest rates, more stringent regulation and rising customer expectations.

In light of all of these developments, UniCredit cannot afford to stand still. If it is going to seize every opportunity to generate value and maintain its position as one of Europe's premier banks, it must continue to evolve.

To drive this evolutionary process forward, significant steps were taken over the past 12 months. Indeed, 2016 marked a major turning point for UniCredit, headlined by the appointment of Jean Pierre Mustier as the bank's new chief executive officer. He accepted the reins from Federico Ghizzoni, whom I would like to thank for his many years of dedicated service and for the steadfast commitment he displayed as UniCredit's CEO over the past six years.

Jean Pierre's return to the Group was most welcome. Given the years he previously spent as the head of our Corporate and Investment Banking division, I am confident that his extensive knowledge of the bank, along with his many stellar personal qualities, will enable him to steer UniCredit through its current transformation.

The replenishment of our management team represented yet another important change for UniCredit. All of our new managers, who were carefully chosen for their international vision and experience, were appointed from within the Group – an outcome that underscores the superb pool of professional talent to be found at UniCredit.

Yet I believe that the most significant event of the year for our Group was the launch of the Transform 2019 Strategic Plan, which resulted from the diligent work of our Board of Directors and our entire management team. With this plan, UniCredit introduced a new way of banking – a way that is both more sustainable and more competitive.

This break with the past can be summed up in three words: discipline, efficiency and profitability. Our priority is to increase UniCredit's capacity to create value by strengthening its balance sheet and taking a more vigilant approach to risk management. At the same time, we will leverage the full potential of new technologies to accelerate the digitization of the bank's processes and provide customers with higher-quality services.

In 2016, changes were also made to UniCredit's corporate governance. In particular, the functions of the Corporate Governance Committee were expanded to include supervision of sustainability-related issues, which have continued to grow in importance. With the renewal of the board to take place in 2018, as previously scheduled, additional changes will come into force. These include a reduction in the number of board members and vice presidents and the introduction of term limits for directors to ensure adequate turnover. Further work is ongoing to improve the efficiency of the board, including measures related to the management of documents and the flow of information. The object is to make more time available for strategic discussions.

Finally, Martha Dagmar Böckenfeld and Sergio Balbinot joined the board this year following the resignations of Helga Jung and Manfred Bischoff. I would like to thank both of these departing directors for their invaluable contributions.

All of these changes were made for the sake of a common objective: to make UniCredit more competitive. We cannot afford to be complacent and must redouble our efforts to ensure we are fully equipped for the future.

Only by working together can we overcome all the challenges ahead. Now more than ever before, the commitment and skill of our colleagues, as well as the confidence of our shareholders, are our primary sources of strength. We are grateful for their ongoing support at this key moment in UniCredit's long and proud history.

Sincerely,

**Giuseppe Vita**  
Chairman  
UniCredit S.p.A.



# Chief Executive Officer's message

“I am proud to have the opportunity to lead UniCredit. I and my management team are fully committed to making UniCredit one of the most attractive banks in Europe.”

**Jean Pierre Mustier**

Chief Executive Officer



Dear Shareholders,

as this is my very first letter to you, I would like to say how proud and honored I am to have the opportunity to lead UniCredit and that I and my management team, are fully committed to making UniCredit one of the most attractive banks in Europe and to creating recurring value for all our stakeholders.

2016 was an eventful year for European financial services, including for the Italian banking sector. This, coupled with rapidly evolving client behaviors and expectations and the need to transform and strengthen the Bank, led us to launch an in depth strategic review in early July.

Our core priorities are to reinforce and optimize the Group's capital position, improve profitability, ensure continuous transformation of operations, maintain flexibility to seize value creating opportunities, further reduce costs, increase cross selling and above all further improve risk discipline.

There is now one executive governing body, one closely knit management team, led by the CEO and composed of the leaders of the key activities and geographies within UniCredit, with one single General Manager in charge of all businesses activities. There is now One Bank, One UniCredit.

Before we presented the outcome of the strategic review, Transform 2019, which is the beginning of a long term transformative process for the bank, we took bold actions to strengthen our capital ratios. We did so by agreeing the sales of Pioneer and Pekao and by optimizing our participation in Fineco as well as improving our asset quality by addressing our Italian legacy issues through the de-risking of a 17.7 billion euro non performing portfolio.

Transform 2019's core message is that UniCredit is a simple Pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise; competitive advantages - on which we shall build.

The plan is based on pro-active self-help. Key levers of the plan, cost and risk, are fully under management control. This to ensure maximum value creation for all our stakeholders while reducing execution risk.

We de-risked the balance sheet by taking an 8.1 billion euro one-off provision in 2016 resulting in boosted coverage. This will significantly improve our asset quality.

Very strong risk discipline is another key component of the plan, this to further improve the quality of future origination with the objective to bring our group cost of risk down to about 49 bps by end 2019.

The transformation of business processes will allow our teams more client facing time, provide a better service and leading to a recurring 1.7 billion euro net annual cost reduction as of 2019. Group cost income ratio will decrease by more than 9.5 percentage points to below 52 per cent.

However, this transformation will also lead to a number of colleagues leaving the Group, primarily through early retirements and voluntary redundancies. We shall endeavor to treat everyone concerned with the utmost respect and dignity to facilitate their transition. My thanks for the contribution they have made to the Bank.

Going forward we will have a much leaner but strong steering corporate centre to drive Group performance and ensure accountability through a set of Group-wide KPIs.

Taking the current low rate environment and prevailing economic context into account, our objective is to reach a RoTE above 9 per cent in 2019.

Fully loaded CET1 will be above 12.5 per cent in 2019.

The Transform 2019 targets are tangible pragmatic and based on conservative assumptions. As a team we are fully committed to achieving them with management's interests fully aligned with shareholders'.

In order to achieve the plan targets and to significantly strengthen the Group's capital position in line with best-in-class global SIFIs, a 13 billion euro rights issue was proposed.

Let me also pay tribute to our employees and thank them for their ongoing commitment. This is only the beginning of our transformative journey and it is thanks to our teams, that we will be successful and create value.

Sincerely,

**Jean Pierre Mustier**  
Chief Executive Officer  
UniCredit S.p.A.



# Note to the Report and to the Financial Statements

## General Matters

The UniCredit S.p.A. Financial Statements at December 31, 2016 were drafted in accordance with the IAS/IFRS international accounting standards, in compliance with the instructions of Banca d'Italia in circular No.262 of December 22, 2005 (4<sup>th</sup> update - December 15, 2015). These instructions are binding for the financial statements and the methods of completion, as well as for the minimal content of Notes to the Financial Statements.

The Financial Statements comprise the Balance Sheet, the Income Statement, the Comprehensive Income statement, the Statement of changes in Shareholder's Equity, the Cash Flow Statement, the Notes to the Financial Statements, and are also accompanied by a Report on the operating performance, the economic results achieved and the financial situation of the Bank.

This Report includes:

- Financial Statements certification pursuant to Article 81-ter of Consob Regulation No.11971 of May 14, 1999, as amended;
- Board of Statutory Auditors' Report pursuant to Article 153 of Legislative Decree No.58 of February 24, 1998;
- Report of the External Auditors pursuant to Articles 14 and 16 of Legislative Decree No.39 of January 27, 2010.

Any discrepancies between data disclosed in the Report on Operations and in the company accounts are solely due to the effect of rounding.

## General principles for drafting the Report on Operations

To further illustrate the results for the period, the Report on Operations includes reclassified balance sheet and income statement. The reconciliation with the primary statements, as required by Consob Notice No.6064293 of July 28, 2006, is presented in Annex 1.

The Report on Operations is accompanied by a number of tables - Highlights, Reclassified Accounts and their Quarterly Figures, the UniCredit Share - as well as a comment on the Results of the period, accompanied, in order to provide further information about the performance achieved by the Company, by some alternative performance indicators (as Net bad loans to customers/Loans to customers, Net Non-Performing loans to customers/Loans to customers).

Although some of this information - including certain alternative performance indicators - are not extracted nor directly reconciled with Company Financial Statements, in the Report on Operations are inserted explanatory descriptions of the contents and, in case, of the calculation methods used, in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of October 5, 2015. In particular in Annexes, as mentioned above, are included the reconciliations of the Reclassified Accounts to Mandatory Reporting schedule.

To increase comparability with previous period amounts Reclassified Accounts, differ from the figures at that date due to:

- the transfer of the CEE Division, including the shareholdings of CEE subsidiaries, from UniCredit Bank Austria AG to UniCredit S.p.A. following demerger of the CEE Division from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH and the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A. (i.e. "Delorean Project"). Amounts related to 2015 have been restated to consider business combinations performed during the period as required by "Orientamento Preliminari assirevi in tema IFRS (OPI) n.2: Accounting treatment of mergers in separate financial statements". For Further details refer to the paragraph Other information of this Report on Operations;
- the effects of the amounts' reclassification related to credit recovery services provided by UniCredit Credit Management Bank S.p.A. (at that time a company belonging to UniCredit Group and today called doBank S.p.A.) from "Other administrative expenses" to "Net fees and commissions".

2015 figures presented in the financial statements, including notes, have not been restated as restatement is not required by any IAS/IFRS.

## Reconciliation Principles Followed for the Reclassified Balance Sheet and Income Statement

The main reclassifications, wherein amounts are provided analytically in the tables enclosed with this booklet, involve:

### Balance Sheet

- the aggregation of Financial assets designated at fair value, Available-for-sale financial assets, Held-to-maturity financial assets and Equity investments as "Financial investments";
- the grouping of a single item called "Hedging", in both the assets and liabilities of the Financial Statements of the "Hedging Derivatives" and "Changes in fair value of portfolio hedged items";
- the combination of the "Deposits from customers" and "Debt securities in issue" items into a single item "Deposit from customers and debt securities in issue";
- the inclusion of the financial statements items "Employee severance pay" into "Other liabilities".

### Income Statement

- the exclusion among dividends and other income of dividends from shares held for trading, classified together with the result of trading negotiations, hedging and assets and liabilities measured at fair value; classified under "Net trading income";
- the exclusion among the other income/expenses balance of the recovery of expenses classified as a separate item with the exception of the so-called "commissione di istruttoria veloce" (CIV) which is classified among Net Commissions;
- the exclusion among the balance of other operating income and charges of the costs for leasehold improvements classified among Other administrative expenses;

- the representation among staff expenses, other administrative expenses, adjustments in value for tangible and intangible assets and provisions for risks and charges net of integration costs relating to the reorganization operations shown under the specific item;
- the inclusion among net trading, hedging and fair value income of the gains/losses realized on available-for-sale financial assets and on held-to-maturity financial assets;
- the inclusion among net income from investments of write-downs/write-backs on available-for-sale financial assets and held-to-maturity financial assets, of the net result of the measurement at fair value of tangible and intangible assets, as well as gains/losses for equity investments and disposal of investments;
- the inclusion in the item Provisions for risks and charges of the contribution to the Single Resolution Fund (SRF) and to the Deposit Guarantee Systems (DGS) and the Guarantee fees for DTA included in the item Administrative expenses b) Other administrative expenses;
- inclusion in the item Fee and Commission Expense of the cost relating to outsourced services for the management and recovery of Non-Performing loans included in the item Administrative Expenses - Other administrative expenses.

## **Non-Current Assets and Asset Groups Held for Disposal**

At December 31, 2016, the main assets classified, according to IFRS5, as non-current assets and disposal groups were mainly:

- a set of credit exposures classified as non-performing collected within a portfolio called "FINO portfolio";
- the investments in Bank Pekao S.A. and Pioneer Global Asset Management S.p.A.

For further information see section Other Information - Group activities development operations and other corporate transactions of this Report on Operations.

# People Development



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



# Report on Operations

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Unless otherwise indicated, all amount are in millions of euros.

## Highlights

## Income Statement

(€ million)

	YEAR		CHANGE	
	2016	2015	P&L	%
Operating income	8,910	9,682	- 772	- 8.0%
<i>of which:</i>				
- <i>net interest</i>	3,693	4,038	- 345	- 8.5%
- <i>dividends and other income from equity investments</i>	1,173	1,476	- 303	- 20.5%
- <i>net fees and commissions</i>	3,574	3,804	- 230	- 6.0%
Operating costs	(5,685)	(5,717)	+32	- 0.6%
Operating profit (Loss)	3,225	3,965	- 740	- 18.7%
Net write-downs of loans and provisions for guarantees and commitments	(10,379)	(2,813)	- 7,566	+ 269.0%
Net operating profit (Loss)	(7,154)	1,152	- 8,306	n.s.
Profit (Loss) before tax	(11,262)	(2,982)	- 8,280	+ 277.7%
Impairment of goodwill	-	-	-	-
<b>Net Profit (Loss)</b>	<b>(11,460)</b>	<b>(2,736)</b>	<b>- 8,724</b>	<b>+ 318.9%</b>

The figures in this table refer to reclassified income statement.

## Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Total assets	394,188	402,181	- 7,993	- 2.0%
Financial assets held for trading	14,026	14,378	- 352	- 2.4%
Loans and receivables with customers	213,237	220,197	- 6,960	- 3.2%
<i>of which: - Non-Performing loans</i>	15,996	26,944	- 10,948	- 40.6%
Financial liabilities held for trading	14,557	11,342	+3,215	+ 28.3%
Deposits from customers and debt securities in issue	279,648	282,720	- 3,072	- 1.1%
<i>of which:</i>				
- <i>deposits from customers</i>	196,521	181,574	+14,947	+ 8.2%
- <i>securities in issue</i>	83,127	101,146	- 18,019	- 17.8%
<b>Shareholders' net equity</b>	<b>32,697</b>	<b>44,230</b>	<b>- 11,533</b>	<b>- 26.1%</b>

The figures in this table refer to reclassified balance sheet.

For further details on "Non-Performing loans" see paragraph "Loans to customers" and "Credit Quality" in this Report on Operations.

## Staff and Branches

	AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Employees	42,424	43,479	-1,055	- 2.4%
Branches	3,513	3,860	-347	- 9.0%
<i>of which:</i>				
- <i>Italy</i>	3,505	3,853	-348	- 9.0%
- <i>Other countries</i>	8	7	+1	+ 14.3%

### Profitability Ratios

	YEAR		% CHANGE
	2016	2015	
Net interest income/Operating income	41.4%	41.7%	- 0.3%
Net fees and commissions/Other administrative expenses net of recovery of expenses	158.6%	171.6%	- 13.0%
Net fees and commissions/Operating costs	62.9%	66.5%	- 3.6%
Operating profit (loss)/Operating income	36.2%	41.0%	- 4.8%
Return on assets <sup>(*)</sup>	- 3.9%	- 0.9%	- 3.0%

(\*) ROA: calculated as the ratio of Net profit or loss to Total assets pursuant to art. 90 of CRD IV.

### Risk Ratios

	AS AT		% CHANGE
	12.31.2016	12.31.2015	
Net bad loans to customers/Loans to customers	2.9%	6.2%	- 3.3%
Net Non-performing loans to customers/Loans to customers	7.5%	12.2%	- 4.7%

For the amounts refer to table "Loans to customers - Asset quality" in paragraph "Results of the period" of this Report on Operations.

### Transitional Capital Ratios

	AMOUNTS AS AT	
	12.31.2016 <sup>(*)</sup>	12.31.2015 <sup>(*)</sup>
Total own funds (€ million)	40,649	54,281
Total risk-weighted assets (€ million)	200,612	190,394
<b>Common Equity Tier 1 Capital Ratio</b>	<b>14.30%</b>	<b>21.92%</b>
<b>Total Capital Ratio</b>	<b>20.26%</b>	<b>28.51%</b>

(\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.

Refer to paragraph "Capital and Value Management – Capital Ratios", for more details in this Report on Operations.

## Reclassified Company Accounts

## Reclassified Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Cash and cash balances	1,852	2,460	- 608	- 24.7%
Financial assets held for trading	14,026	14,378	- 352	- 2.4%
Loans and receivables with banks	22,349	21,145	+ 1,204	+ 5.7%
Loans and receivable with customers	213,237	220,197	- 6,960	- 3.2%
Financial investments	108,374	115,236	- 6,862	- 6.0%
Hedging instruments	8,160	8,794	- 634	- 7.2%
Property, plant and equipment	2,341	2,405	- 64	- 2.7%
Goodwill	-	-	-	-
Other intangible assets	5	7	- 2	- 28.6%
Tax assets	12,005	12,559	- 554	- 4.4%
Non-current assets and disposal groups classified as held for sale	7,439	305	+ 7,134	n.s.
Other assets	4,400	4,695	- 295	- 6.3%
<b>Total assets</b>	<b>394,188</b>	<b>402,181</b>	<b>- 7,993</b>	<b>- 2.0%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Deposits from banks	44,381	42,943	+ 1,438	+ 3.3%
Deposits from customers and debt securities in issue	279,648	282,720	- 3,072	- 1.1%
Financial liabilities held for trading	14,557	11,342	+ 3,215	+ 28.3%
Financial liabilities designated at fair value	2,103	-	+ 2,103	+ 100.0%
Hedging instruments	8,920	9,710	- 790	- 8.1%
Provisions for risks and charges	3,407	2,654	+ 753	+ 28.4%
Tax liabilities	162	152	+ 10	+ 6.6%
Liabilities included in disposal groups classified as held for sale	3	-	+ 3	+ 100.0%
Other liabilities	8,310	8,430	- 120	- 1.4%
Shareholders' Equity:	32,697	44,230	- 11,533	- 26.1%
- capital and reserves	43,718	46,149	- 2,431	- 5.3%
- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserve	439	817	- 378	- 46.3%
- net profit (loss)	(11,460)	(2,736)	- 8,724	+ 318.9%
<b>Total liabilities and Shareholders' Equity</b>	<b>394,188</b>	<b>402,181</b>	<b>- 7,993</b>	<b>- 2.0%</b>

Reclassified Balance Sheet as at December 31, 2015, differ from the one published at that date due to the transfer of the CEE Division, including the shareholdings of CEE subsidiaries, from UniCredit Bank Austria AG to UniCredit S.p.A. following the demerger of the CEE Division from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH and the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A. For Further details refer to the paragraph Other information of this Report on Operations.

## Reclassified Income Statement

(€ million)

	YEAR		CHANGE	
	2016	2015	P&L	%
Net interest	3,693	4,038	- 345	- 8.5%
Dividends and other income from equity investments	1,173	1,476	- 303	- 20.5%
Net fees and commissions	3,574	3,804	- 230	- 6.0%
Net trading income	360	456	- 96	- 21.1%
Net other expenses/income	110	(92)	+ 202	n.s.
<b>OPERATING INCOME</b>	<b>8,910</b>	<b>9,682</b>	<b>- 772</b>	<b>- 8.0%</b>
Payroll costs	(3,298)	(3,372)	+ 74	- 2.2%
Other administrative expenses	(2,839)	(2,815)	- 24	+ 0.9%
Recovery of expenses	586	598	- 12	- 2.0%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(134)	(128)	- 6	+ 4.7%
<b>Operating costs</b>	<b>(5,685)</b>	<b>(5,717)</b>	<b>+ 32</b>	<b>- 0.6%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>3,225</b>	<b>3,965</b>	<b>- 740</b>	<b>- 18.7%</b>
Net write-downs of loans and provisions for guarantees and commitments	(10,379)	(2,813)	- 7,566	+ 269.0%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>(7,154)</b>	<b>1,152</b>	<b>- 8,306</b>	<b>n.s.</b>
Other charges and provisions	(1,501)	(675)	- 826	+ 122.4%
Integration costs	(1,163)	(537)	- 626	+ 116.6%
Net income (losses) from investments	(1,444)	(2,922)	+ 1,478	- 50.6%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(11,262)</b>	<b>(2,982)</b>	<b>- 8,280</b>	<b>+ 277.7%</b>
Income tax for the year	(198)	246	- 444	n.s.
Impairment of goodwill	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(11,460)</b>	<b>(2,736)</b>	<b>- 8,724</b>	<b>+ 318.9%</b>

Reclassified Income Statement amounts as at December 31, 2015, differ from the figures published at that date due to:

- the transfer of the CEE Division, including the shareholdings of CEE subsidiaries, from UniCredit Bank Austria AG to UniCredit S.p.A. following the demerger of the CEE Division from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH and the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A. For Further details refer to the paragraph Other information of this Report on Operations;
- the effects of the amounts' reclassification related to credit recovery services provided by UniCredit Credit Management Bank S.p.A. (at that time a company belonging to UniCredit group and today called doBank S.p.A.) from "Other administrative expenses" to "Net fees and commissions".

## Reclassified Company Accounts - Quarterly Figures

## Reclassified Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2016	09.30.2016	06.30.2016	03.31.2016	12.31.2015	09.30.2015	06.30.2015	03.31.2015
Cash and cash balances	1,852	1,500	1,555	1,646	2,460	2,426	2,273	1,862
Financial assets held for trading	14,026	16,672	20,280	17,758	14,378	13,847	13,372	15,358
Loans and receivables with banks	22,349	19,942	19,102	20,497	21,145	23,414	25,366	24,286
Loans and receivable with customers	213,237	222,353	229,434	228,780	220,197	220,953	220,704	227,925
Financial investments	108,374	113,488	119,307	118,597	115,236	113,969	117,242	113,868
Hedging instruments	8,160	9,785	10,056	9,761	8,794	9,080	9,082	10,856
Property, plant and equipment	2,341	2,369	2,378	2,389	2,405	2,582	2,580	2,587
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	5	5	6	6	7	6	2	2
Tax assets	12,005	12,373	12,545	12,627	12,559	11,895	11,913	11,293
Non-current assets and disposal groups classified as held for sale	7,439	260	195	92	305	1,190	1,227	1,223
Other assets	4,400	4,226	4,283	6,186	4,695	4,819	4,948	4,888
<b>Total assets</b>	<b>394,188</b>	<b>402,973</b>	<b>419,141</b>	<b>418,339</b>	<b>402,181</b>	<b>404,181</b>	<b>408,709</b>	<b>414,148</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				AMOUNTS AS AT			
	12.31.2016	09.30.2016	06.30.2016	03.31.2016	12.31.2015	09.30.2015	06.30.2015	03.31.2015
Deposits from banks	44,381	48,057	48,481	40,380	42,943	38,966	36,579	39,046
Deposits from customers and debt securities in	279,648	272,833	284,068	294,911	282,720	287,935	293,148	290,858
Financial liabilities held for trading	14,557	14,556	17,008	13,946	11,342	10,694	10,461	12,141
Financial liabilities designated at fair value	2,103	1,133	1,088	814	-	-	-	-
Hedging instruments	8,920	10,678	11,221	10,719	9,710	9,924	9,566	12,187
Provisions for risks and charges	3,407	2,153	2,238	2,659	2,654	1,978	2,044	2,189
Tax liabilities	162	95	91	142	152	148	62	304
Liabilities included in disposal group classified as held for sale	3	-	-	-	-	-	-	-
Other liabilities	8,310	9,581	10,752	10,913	8,430	10,229	10,260	10,928
Shareholders' Equity:	32,697	43,887	44,194	43,855	44,230	44,307	46,589	46,495
- capital and reserves	43,718	43,116	43,152	43,353	46,149	45,668	45,617	45,305
- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserve	439	447	465	650	817	686	429	1,238
- net profit (loss)	(11,460)	324	577	(148)	(2,736)	(2,047)	543	(48)
<b>Total liabilities and Shareholders' Equity</b>	<b>394,188</b>	<b>402,973</b>	<b>419,141</b>	<b>418,339</b>	<b>402,181</b>	<b>404,181</b>	<b>408,709</b>	<b>414,148</b>

Reclassified Balance Sheet as at December 31, 2015, differ from the one published at that date due to the transfer of the CEE Division, including the shareholdings of CEE subsidiaries, from UniCredit Bank Austria AG to UniCredit S.p.A. following the demerger of the CEE Division from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH and the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A. For Further details refer to the paragraph Other information of this Report on Operations.

## Reclassified Income Statement

(€ million)

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	817	924	969	983	966	993	1,041	1,038
Dividends and other income from equity investments	126	1	1,045	1	64	(7)	1,411	8
Net fees and commissions	800	867	932	975	916	908	958	1,022
Net trading income	12	84	171	93	87	95	36	238
Net other expenses/income	(40)	50	105	(5)	(31)	(2)	(50)	(9)
<b>OPERATING INCOME</b>	<b>1,715</b>	<b>1,926</b>	<b>3,222</b>	<b>2,047</b>	<b>2,002</b>	<b>1,987</b>	<b>3,396</b>	<b>2,297</b>
Payroll costs	(756)	(830)	(864)	(848)	(818)	(841)	(863)	(850)
Other administrative expenses	(785)	(698)	(672)	(684)	(728)	(689)	(700)	(698)
Recovery of expenses	158	145	152	131	146	150	163	139
Amortisation, depreciation and impairment losses on intangible and tangible assets	(36)	(35)	(32)	(31)	(34)	(31)	(32)	(31)
<b>Operating costs</b>	<b>(1,419)</b>	<b>(1,418)</b>	<b>(1,416)</b>	<b>(1,432)</b>	<b>(1,434)</b>	<b>(1,411)</b>	<b>(1,432)</b>	<b>(1,440)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>296</b>	<b>508</b>	<b>1,806</b>	<b>615</b>	<b>568</b>	<b>576</b>	<b>1,964</b>	<b>857</b>
Net write-downs of loans and provisions for guarantees and commitments	(8,425)	(697)	(683)	(574)	(887)	(639)	(629)	(658)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>(8,129)</b>	<b>(189)</b>	<b>1,123</b>	<b>41</b>	<b>(319)</b>	<b>(63)</b>	<b>1,335</b>	<b>199</b>
Other charges and provisions	(953)	(88)	(349)	(111)	(522)	33	(174)	(12)
Integration costs	(1,028)	(21)	(71)	(43)	(537)	-	-	-
Net income (losses) from investments	(1,479)	95	(40)	(20)	287	(2,556)	(548)	(105)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(11,589)</b>	<b>(203)</b>	<b>663</b>	<b>(133)</b>	<b>(1,091)</b>	<b>(2,586)</b>	<b>613</b>	<b>82</b>
Income tax for the year	(195)	(50)	62	(15)	402	(4)	(22)	(130)
Impairment of goodwill	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(11,784)</b>	<b>(253)</b>	<b>725</b>	<b>(148)</b>	<b>(689)</b>	<b>(2,590)</b>	<b>591</b>	<b>(48)</b>

Reclassified Income Statement as at December 31, 2015, differ from the one published at that date due to:

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## Share Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Share price (€)<sup>(1)</sup></b>											
- maximum	5.015	6.550	6.870	5.630	4.478	13.153	15.314	17.403	31.810	42.841	37.540
- minimum	1.753	4.910	5.105	3.238	2.286	4.222	9.820	4.037	8.403	28.484	30.968
- average	2.735	5.889	5.996	4.399	3.292	8.549	12.701	11.946	21.009	36.489	34.397
- end of period	2.734	5.135	5.335	5.380	3.706	4.228	10.196	14.730	9.737	31.687	37.049
<b>Number of outstanding shares (million)</b>											
- at period end <sup>(1)</sup>	6.180	5.970	5.866	5.792	5.789	1.930	19.297.6	16,779.3	13,368.1	13,278.4	10,351.3
- shares cum dividend	6.084	5,873	5,769	5,695	5,693	1,833	18,330.5	18,329.5	13,372.7	13,195.3	10,357.9
of which: savings shares	2.52	2.48	2.45	2.42	2	2	24.2	24.2	21.7	21.7	21.7
- average <sup>(1)</sup>	6.110	5,927	5,837	5,791	5,473	1,930	19,101.8	16,637.8	13,204.6	11,071.6	10,345.2
<b>Dividend</b>											
- total dividends (€ million)		706	697	570	512	(***)	550	550	(**)	3,431	2,486
- dividend per ordinary share		0.120	0.120	0.100	0.090	(***)	0.030	0.030	(**)	0.260	0.240
- dividend per savings share		0.120	1.065	0.100	0.090	(***)	0.045	0.045	(**)	0.275	0.255

(1) The number of shares is net of Treasury shares and included 96.76 million of shares held under a contract of usufruct.

(\*) Following extraordinary corporate operations, which involve the detachment of rights, stock splitting or grouping, demerger operations and distribution of extraordinary dividends, the price of the shares can fluctuate so much that they are no longer comparable. Thus, the time series hereby published are adjusted accordingly to restore the continuity of historical price series.

(\*\*) 2008 dividend was paid with cash to savings shareholders (€0.025 per share, for a total amount of €0.5 million), and with newly issued shares (so called "scrip dividend").

(\*\*\*) As per Banca d'Italia's paper dated March 2, 2012, in keeping with the decision of UniCredit S.p.A.'s Board of Directors and in line with the intention announced to the Shareholders' Meeting in 2012, UniCredit S.p.A. did not pay any dividends with respect to its 2011 financial results.

In 2011 the following operations were carried out:

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

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

The Shareholders' Meeting of May 13, 2014 approved a scrip dividend scheme under which the holders of ordinary shares and the holders of savings shares will be allocated one new share for every sixty shares held and one new share for every eighty-four shares held, respectively. The new shares were allocated through a free share capital increase, without prejudice to the shareholders' right to opt for a cash payout (€0.10 for each ordinary and savings share) in lieu of the allocation of the new shares.

The Shareholders' Meeting of the May 13, 2015, approved the payment of dividends in the form of a "scrip dividend", with the assignment to shareholders who hold ordinary shares of one new share per fifty shares held, and to holders of savings shares one new share per seventy-two shares held. The assignment of the new shares occurred following a free share-capital increase, without affecting the shareholders' right to request payment of the dividend in cash (€0.12 per ordinary and savings share), in place of assignment of shares.

The Shareholders' Meeting also approved the partial distribution of 2014 and previous years profits, with payment of €0.945 per savings share, as preferred dividend.

The Shareholders' Meeting of the April 14, 2016, approved the payment of dividends in the form of a "scrip dividend", with the assignment to shareholders who hold ordinary shares of one new share per twenty-three shares held, and to holders of savings shares one new share per fifty-four shares held. The assignment of the new shares occurred following a free share-capital increase, without affecting the shareholders' right to request payment of the dividend in cash (€0.12 per ordinary and savings share), in place of assignment of shares.



# Results of the year

## Macroeconomic situation, banking and financial markets

### International situation

#### USA/Eurozone

at the annualized pace of 3%. But there was a lot of variation in economic performance across regions. The recovery in advanced economies accelerated more than expected, supported by a pickup in manufacturing activity and a reduced drag from inventories. In Japan, some statistical revisions pointed to a more decent performance than previously expected, while both the US and the UK economy held up well, despite the Brexit shock. In the emerging world, the picture was more variegated. The Chinese economy, which continued to be boosted by an expansionary fiscal policy and fast credit growth, grew at about 6.5%. Activity, instead, was weaker than expected in some Latin American countries currently in recession, such as Argentina and Brazil, as well as in Turkey that has struggled to regain investors' confidence in the aftermath of the failed coup. And in Russia the recovery was slightly stronger than expected thanks to a rebound in oil prices.

In the euro area, the recovery remains overall moderate. Despite Brexit and ongoing weakness in global trade, business and household confidence in the euro area has remained remarkably stable. In the second half of 2016, GDP likely grew at about 1.6% and the most recent PMIs suggest that both domestic and external demand supported the expansion at the end of the year. This marks the second consecutive year of above-trend growth. The bad news is that this recovery phase remains weak by historical standards, with an average annualized pace of expansion of only 1.5%.

Inflationary pressures are gaining traction. In December, euro area's inflation rate was only 1.1%, mostly driven by the jump in oil prices triggered by OPEC's agreement signed in November. The path for core inflation warrants special attention, given there are virtually no signs of improvement from the cyclical lows touched in early-2015. Three main factors explain the flat trajectory in core prices so far: 1. the lack of responsiveness of wage growth to the improving labor market outlook, which has exerted downward pressure on services prices; 2. subdued import price dynamics, and 3. second-round effects from the past drop in the price of oil and other commodities. In its December meeting, the ECB decided to extend its asset purchases from March 2017 until December 2017, but, and this is the main news, at a reduced pace of €60 billion per month.

Economic activity in the United States improved markedly in the third quarter of 2016, following modest growth in the first half of the year. Net exports and inventory investment rebounded strongly and made an important contribution to real GDP growth in the third quarter, while private fixed investment remained weak and consumer spending softened. The outcome of the US presidential elections, with the unexpected victory of Donald Trump, has increased policy

uncertainty, particularly when it comes to the size of the fiscal stimulus. The immediate market reaction, with the USD appreciating and Treasury yields rising, led to a tightening in financial conditions. As expected, in December 2016, the monetary policies of the Fed and the ECB started to diverge. Just as in 2015, the Fed has thus delivered at least one rate hike during the calendar year.

#### Banking and financial markets

The recovery of bank lending in the eurozone strengthened towards the end of 2016. This was mainly driven by an improvement in loans to non-financial corporations, the annual growth of which stood at about 2.0% at the end of 2016 (vs. -0.3% a year earlier). In addition, loans to households continued to expand at about 2.0% yoy. The credit recovery, in particular, gained strength in all of the group's reference countries, and especially in Germany. In Italy, the annual growth rate of loans to households converged towards that in the eurozone over the course of the year (+1.8% in November, the latest data available); in contrast, loans to non-financial corporations showed a slower and more fragile recovery. Towards the end of 2016, corporate lending also lost momentum in Austria, although loans to households showed an acceleration.

As for the funding, at the end of 2016, while bank deposits continued to increase at a healthy pace in Germany and Austria, in Italy they failed to improve further, although they continued to expand compared to 2015. During 2016, in all three reference countries for the group, the expansion in bank deposits continued to be mainly supported by an increase in sight deposits, at the expense of medium and long-term funding (including bank bonds), consistent with the low yields of bank liabilities.

At the end of 2016, there was a general stabilization in bank interest rates, both on loans and deposits, at historically low levels. This continues to reflect the expansionary stance of ECB's monetary policy, which is expected to characterize 2017, too. Thus, in all three reference countries, the bank spreads (the difference between the average rate on loans and the average rate on deposits) stabilized substantially throughout 2016.

Financial markets in the eurozone showed higher volatility in the second half of 2016, following the outcome of the Brexit referendum and the political uncertainty related to US elections, as well as the Italian constitutional referendum. The major consequences in terms of stock market performance were observed in Italy, where investors' concerns about developments in the banking system accentuated the risk-off mood. In December 2016, the Italian stock market recorded the worst performance of the three core countries of the group, albeit recovering compared to 3Q16, posting a decline of approximately 10% compared to December 2015. In contrast, both the Austrian and German stock markets showed positive performance, with gains of about 9.0% for the Austrian stock market

# Results of the year

and about 7% for the German stock exchange in December 2016, compared to December 2015.

## CEE Countries

Political shocks, financial markets' volatility and sharp reversals in risk appetite turned 2016 into a rollercoaster ride for CEE. The benign global environment that had prevailed since the Brexit vote has reversed sharply following Mr. Trump's victory in the U.S. presidential election, triggering major capital outflows from EMs amid rising core yields and higher risk premia.

Against this background, the already significant divergence within the CEE has deepened. Solid fundamentals and the absence of macroeconomic imbalances have enabled the CEE-EU to weather the post-U.S. election storm relatively unscathed, with only minor adjustments in risk premia. Russia has become more resilient, too, thanks to sound policies and rising oil prices, while Turkey, with its large imbalances, misguided policies and dysfunctional politics, has been hit particularly hard.

Economic performance has diverged, too. In CEE-EU, growth slowed in 2016 to a still solid 3%. This however, reflected a temporary drop in EU transfers at the start of the new planning period that cut public investment and which ought to be reversed already this year. On the other hand, growth picked up in Croatia and Serbia, pulled by the firmer foreign demand, but also thanks to strengthened confidence with elections behind us and improved policies. However, growth in both Croatia and Serbia still lagged CEE-EU.

Further east, growth remained elusive. Russia posted another year of contraction, the first back-to-back recessions since 1994, as Ukraine continues to crawl along the bottom. All the same, trends in both countries differed.

For Turkey, 2016 was a year to forget. A series of political shocks, growing security concerns, and imprudent policies have taken a heavy toll. The economy slipped into recession in 2H16, for the first time since 2009, as macroeconomic imbalances widened further. Financial markets have been battered, with the TRY and Turkish bonds among the worst performers globally. Confidence has been shattered by the failed coup attempt in July, the loss of investment grade in October, as well as intensified fighting with the Kurds and in Syria and a steadily deteriorating security situation. These developments hit tourism hard and have constrained investment. For the FY16 we expect growth to be stay at about 1.6%, the weakest since the global financial crisis.

In 2016 real GDP growth in the CEE-EU ranged from 2.2% in Hungary to 4.5% in Romania. The countries with best EU funds absorption such as Hungary and Poland saw the biggest slowdowns, while expansionary fiscal policy contributed to Romania's outperformance. More generally, growth in CEE-EU was

driven by private consumption with investment remaining a drag. Exports started the year on a weak note but have gained momentum recently as demand in Europe has strengthened.

Even though output has remained at or above potential in most of CEE-EU, low commodity and food prices and imported deflation from the euro area have kept inflation all but absent. This has allowed central banks to keep interest rates at record lows. Accommodative monetary conditions have been accompanied by moderate fiscal easing as cyclically stronger revenues have enabled governments to ease fiscal stances without affecting fiscal deficits. Current accounts remained broadly balanced, helped in part by low oil prices, keeping macroeconomic imbalances minimal if at all.

Elsewhere the challenges were quite different. The need to advance fiscal adjustment and reduce government debt left no policy space for neither Croatia nor Serbia. Still, progress in advancing reforms and renewed sense of political stability after elections brought back to power pro-reform governments have helped cut risk premia and borrowing costs. Serbia, however, looks a bit more vulnerable given a still sizable current account deficit and heavy reliance on foreign official financing.

In Russia, the economy appears to have found the bottom near the end of the year. Despite the significant economic slack, economic policies have remained restrictive. The tight fiscal stance has constrained incomes and consumption, but has ensured smooth financing and helped boost confidence. Monetary policy also remained unusually tight as the CBR sought to reduce inflation and inflation expectations. This goal was mostly achieved, helping stabilize the ruble and achieve a near-term external equilibrium.

In Turkey, by contrast, the CBRT, partly under political pressure, has failed to act forcefully enough to the signs of mounting inflation pressures and intensified financial markets volatility. The latter has been reinforced by the rise in US bond yields and the stepped-up outflows from EM. This, along with a series of shocks, has brought growth to a standstill despite sharply accommodative fiscal policy and, until very recently, lax monetary policy. While growth has slowed, macroeconomic imbalances have widened, with inflation again trending towards the double digits and the C/A deficit deteriorating anew.

Ukraine's economy has bottomed out, but just barely, with growth lackluster at 1-2%. What is more worrisome, the tenuous recovery has been accompanied by renewed sizable increases in the fiscal and the C/A deficits. While a measure of macroeconomic stability has been preserved thanks mostly to the prudent policy of the NBU, reforms have continued to lag and political resolve to advance reforms and combat corruption very weak. Ukraine continued to rely on foreign funding, something that will become increasingly unsustainable in the future as the IMF program lapses and repayments on the restructured private sector debt commence in 2018.

## Main results and performance for the period

### The income statement

To ensure a consistent and meaningful comparison of the values supporting the description of the main income statement items and their changes in 2016, the situation at December 31, 2015 was restated to include the "CEE Business" business unit; this was acquired on October 1, 2016 through a cross-border merger by absorption of the company UCG Beteiligungsverwaltung GmbH (Austrian company wholly owned by UniCredit S.p.A.), with accounting and economic effects from January 1, 2016. The mentioned business unit had been simultaneously transferred to the said company through a proportional demerger from UniCredit Bank

Austria (UCBA), as provided by the registered company documents (for full disclosure on the transaction, see section "Other information" in the Report on Operations).

### Breakdown of operating profit

Net operating profit (loss) at December 31, 2016 totaled -€7,154 million, down €8,306 million on the previous year. The figure was the result of an operating profit of €3,225 million -€740 million or -18.7% year on year) and net write-downs of loans of -€10,379 million (+€7,566 million year-on-year). The annual reduction in the operating profit (loss) on December 2015 is attributable to the decrease in operating income (-€772 million) and the decrease in Operating costs (+€32 million).

#### Net operating profit (loss)

(€ million)

	YEAR		CHANGE	
	2016	2015	P&L	%
Operating income	8,910	9,682	- 772	- 8.0%
Operating costs	(5,685)	(5,717)	+ 32	- 0.6%
<b>Operating profit (loss)</b>	<b>3,225</b>	<b>3,965</b>	<b>- 740</b>	<b>- 18.7%</b>
Net writedowns of loans and provisions for guarantees and commitments	(10,379)	(2,813)	- 7,566	+ 269.0%
<b>Net operating profit (loss)</b>	<b>(7,154)</b>	<b>1,152</b>	<b>- 8,306</b>	<b>n.s.</b>

### Operating income

At December 31, 2016, operating income totaled €8,910 million, down €772 million on the previous year (-8.0%). The reduction was largely attributable to Net interest (-€345 million), Dividends and other income from equity investments (-€303 million), Net fees and commissions (-€230 million) and Net trading income (-€96 million), partially offset by the increase in Net other expenses/income (+€202 million).

After the first issue of Covered Bond (OBG) in the third quarter, in the fourth quarter of 2016 the Financial Plan implementation confirmed the Bank reference position in securities issues, thanks to the successful launch of an instrument - Additional Tier 1 - issued in December.

About cost of funding, in the fourth quarter 2016 the Bank implemented a complete diversification of funding sources and maturities, so to limit the overall cost of medium-long term borrowing expressed as a differential to the Euribor.

Net interest income at December 2016 amounted to €3,693 million, down on the previous year -8.5%.

This decrease was mainly due to the compression on loan rates for the general presence of liquidity in the system and the particular competitiveness of the market on interest rates.

Additionally, the result was affected by the impact resulting from adjustments of around €102 million to the financial components of the margin in the fourth quarter of 2016; these adjustments were defined and recognized as a result of certain audit procedures that led to a detailed analysis of the items involved and the precise quantification of the amounts exactly pertaining to such items.

Dividends and other income from equity investments recorded in 2016 came to €1,173 million, down €303 million year on year. The difference was mainly attributable to amounts distributed by UniCredit Bank AG (-€228 million compare to the previous financial year), Pioneer Global Asset Management (-€16.4 million versus 2015) and Bank Pekao (-€56 million versus 2015).

In the fourth quarter of 2016, the Bank implemented the Financial Plan, optimizing access to capital markets and the related borrowing costs. At the end of December, the annual plan had been completed, thanks, in particular, to the contribution of the issue of senior notes public (65% of issues made), as well as borrowing from Pan-national Bodies (15% of issues made) aimed specifically at the development of commercial activities in relation to certain categories of customers.

Fee and commission income and expense as at December 31, 2016 amounted to €3,574 million, down -€230 million year-on-year (-6.0%).

This decrease was mainly due to current accounts, loans and credit commitments sector, driven by the lower remuneration of credit facilities and overdrafts (-€69 million) and higher commission expense related to securitizations synthetc (-€49 million). In Asset management, custody and administration the increase in trading and placement securities (+€33 million) doesn't offset the commission decrease in fund and segregated account (-€57 million). Other services register higher outsourced workout costs to doBank S.p.A. (-€61 million).

# Results of the year

Net trading income (€360 million) was essentially attributable to the gains from the sale of AFS securities (+€295 million, o/w +€64 million from Visa Europe), Certificates (+€41 million) and XVA - Credit, Funding and Debt Value Adjustment (+€44 million). At the end of December 2016, the gains from the effects of the exchange rate revaluation of the exposure in USD generated by the issuance of Additional Tier 1 instruments amounted to +€3.2 million and gains on "ordinary" repurchases of the Bank's bonds in the secondary market amounted to +€23 million. In 2016 the losses from the Convertible Mandatorily Settled Equity Linked Certificate related to Pekao disposal amounted to -€54 million.

Total gains from Net trading income are down (-€96 million) versus the previous year. Mainly changes in comparison with previous year are attributable to the following:

- -€114 million from the effects of the exchange rate revaluation of the exposure in USD generated by the issuance of Additional Tier 1 instruments;
- +€48 million from the sale of available for sale instruments. Specifically, 2016 saw positive benefits from the sales of Visa Europe (€64 million).
- -€23 million from XVA.

The balance of other operating income and charges at December 2016 amounted to €110 million, compared to -€92 million in the same period of the previous year. The figure was mainly driven in 2016 by: charges relating to company operations (compensation, rebates, services provided, recoveries, rents, etc.), part of which non-recurring, totaling -€44 million, income of +€22 million attributable to profit arising from the sale of Loans&Receivables securities; income of +103 million related to the sale of a title (BTP ZC), implemented as part of the closure of the "Trevi Finance 3" securitization; income of +€22 million arising from the early closure of the "Cordusio RMBS" securitization, based on exercise of the clean-up call option regulated by the sales agreement signed on March 11, 2005.

## Operating costs

The total of Operating Costs at December 2016 amounted to -€5,685 million, recording a decrease of €32 million (-0.6%) compared to the previous year. Staff expenses amounted to -€3,297 million decreased compared to 2015 by approximately €75 million (-2.2%), mainly for the effects of a reduction in the staff structure and staff expenses' variable component control. The change in the staff structure, which in terms of Full Time Equivalent (FTE) stands 40,403 at December 31, 2016, showed a decrease of about 1.800 FTE from the previous year mainly attributable to ongoing incentive exit Plans.

Other administrative expenses in 2016 totaled €2,839 million, up €24 million (+0.9%) compared to 2015.

Recovery of expenses, amounting to €586 million, decreased (-€12 million, -2.0% year-on-year).

Amortization, depreciation and impairment losses on intangible and tangible assets amounted to -€134 million, increasing of €6 million compared to the previous year (+4.7%).

## Net impairment losses on loans

At December 31, 2016, net write-downs of loans and provisions for guarantees and commitments amounted to -€10,379 million, showing a year-on-year increase of 7,566 million. The significant increase is related to the development of the 2016-2019 Strategic Plan (approved in December 2016), according to which a series of measures were taken to reduce the stock of impaired loans, through a series of management changes which essentially consist, on the one hand, in a careful and proactive assessment of opportunities for their disposal and, on the other hand, in a substantial revision of the recovery approach, the aim being to accelerate their sale, taking also into account the most recent estimates of the realizable value of the assets, or of the collateral backing those assets.

Against this backdrop, in the fourth quarter of 2016 UniCredit S.p.A. launched the "FINO Project" and the "PORTO Project", which also incorporated other updates to the assessment methods, consistent with the changed framework. Specifically:

1. the "Project FINO" aims to dispose of the "non-core" assets of UniCredit group through a market transaction. It involves a set of credit exposures to customers classified as non-performing loans (the FINO Portfolio) held for sale which, according to the specific features of the Project and the defined contractual documentation, have been valued on the basis of their respective selling prices, in accordance with IAS39 (paragraphs 63 and AG 84). In this regard, on December 31, 2016 the Bank recognized greater value adjustments on the loans within the FINO portfolio for €2,949 million. In addition, the loan performance and the value adjustments made on the portfolio in the second half of 2016 (i.e. with effect from June 30, 2016, reference date of the FINO Portfolio based on the contractual agreements signed with third-party Investors) and the related effects, led to additional value adjustments and net charges on the loans for €674 million. Overall, the higher charges weighing on the Bank's income statement in the second half of 2016 with respect to the FINO Portfolio totaled €3,623 million;
2. the PORTO Project involves the introduction of a series of management measures implementing a new approach in the management of impaired loans aimed at reducing the stock of Non-performing Exposures, as envisaged by the new 2016-2019 Strategic Plan. The Project refers to portfolios of impaired loans classified as non-performing and unlikely to pay (not yet included in disposal projects launched at the date of preparing the financial statements, such as the FINO Portfolio, which was discussed in paragraph 1), in relation to which UniCredit S.p.A. intends to adopt a new managerial approach that introduces different workout and collection procedures. The management, recovery and workout policies resulting from this new approach significantly affect the estimates of future cash flows expected to be recovered; as such, they also affect the assessments of the loans included in the portfolios in question, which are carried out in detail, including through comparison with coverage levels statistically and automatically defined.

The above changes introduced in the assessment of loans as at December 31, 2016, resulted in higher net impairment losses on loans of €3,346 million and are a factor of change resulting from new information and experience that can be derived from circumstances both inside and outside the Bank, which took place in the fourth quarter of 2016, and which qualify as a change in accounting estimates in accordance with IAS8 (in particular section 5);

3. in line with the management approach introduced with the PORTO Project, in the fourth quarter of 2016 the Bank's assessment methods were further updated (both with regard to the observation periods and the levels of coverage), in order to make them more representative in the cash flow estimates statistically and automatically calculated. This update resulted in the recognition of higher net value adjustments of around €385 million and also qualified as a change in accounting estimates in accordance with IAS8.35.

For a more complete disclosure on this subject, see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, at the foot of "Table A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)".

### **Net operating profit**

Net operating profit (loss) came to -€7,154 million, down by €-8,306 million compared to €1,152 million in 2015, due to both the decline in operating income and the actions taken in relation to changes in the net write-downs of loans and provisions for guarantees and commitments made at December 31, 2016.

## Results of the year

**Net profit (loss)**

In the table below, the data showing the transition from operating

profit (loss) to net profit (loss) have been reclassified for illustrative purposes.

**Net profit (loss)**

(€ million)

	YEAR		CHANGE	
	2016	2015	P&L	%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>(7,154)</b>	<b>1,152</b>	<b>- 8,306</b>	<b>n.s.</b>
Other charges and provisions	(1,501)	(675)	- 826	+ 122.4%
Integration costs	(1,163)	(537)	- 626	+ 116.6%
Net income (losses) from investments	(1,444)	(2,922)	+ 1,478	- 50.6%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(11,262)</b>	<b>(2,982)</b>	<b>- 8,280</b>	<b>+ 277.7%</b>
Income tax for the year	(198)	246	- 444	n.s.
Impairment of goodwill	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>(11,460)</b>	<b>(2,736)</b>	<b>- 8,724</b>	<b>+ 318.9%</b>

**Other charges and provisions**

Other charges and provisions, totalled -€1,501 million compared to -€675 million in 2015, consider Deposit Guarantee Scheme (DGS) contribution (-€67.9 million), ordinary (-€106.8 million) and extraordinary (-€214.2 million) contribution to Single Resolution Fund established by European regulation and the new DTA regulation (-€243.2 million; please also refer to chapter "Other Information", paragraph "Conversion of tax credit" of this Report) and other general provisions for litigations, lawsuits, disputes, incidents and claims in which the Bank is a passive subject.

**Integration costs**

Integration costs amounted to -€1,163 million, substantially attributable to reorganization costs associated with the Personnel Departure Incentive Plan, as envisaged by the 2016-2019 Strategic Plan approved in December 2016.

**Net income (losses) from Investments**

Net income from investments was -€1,444 million, recording an increase of €1,478 million compared to the same period the previous year.

Specifically during 2016, write-downs/write-backs on equity was recognised for -€1,306 million (of which, -€626 million regarding UniCredit Leasing S.p.A., -€377 million for the equity investment in Koc Finansal Hizmetler Istanbul, -€145 million regarding Public Joint Stock Company Ukrasotsbank, -€49 million attributable to UniCredit Bank Austria AG, -€49 million regarding Bank Pekao S.A., -€18 million regarding the equity investment in Capital Dev S.p.A.). Furthermore, €572 million was recorded as profit on sale (of which, +€543 million regarding Fineco Bank and +€18 million relating to Public Joint Stock Company Ukrasotsbank). In addition, -€550 million was recorded as write-downs - UCITS units - Private Equity classified as AFS (mainly "Fondo Atlante") and -€73 million of write-downs relating to AFS equity investments. Finally, -€51 million was recorded as write-downs of properties.

## Taxes on income

Income tax for 2016 amounted to a negative -€198.4 million, versus a positive value of €246 million in 2015.

During 2016 no new tax provisions have been issued for the income tax determination.

After 2015 transition period, the 2016 represented the first year for the implementation of the provisions reported in Article 16 of Law Decree June 27, 2015 No.83 which introduced the full deductibility of the loan loss provisions directly in the year in which the provisions are recognized in the financial statements, both for IRES and IRAP taxation.

In this regard, being the loan losses fiscally relevant, no longer occurs the set-up of new Deferred Tax Assets (DTA). For previous year's portions, not yet deducted in accordance with former regulations, the reversal process is scheduled according to Law Decree No.83 provision, until the complete absorption in 2025.

The tax expense item of the Income Statement (negative at -€198.4 million) consisted of:

- IRES provision (current and deferred tax) of -€357.4 million;
- IRAP (current and deferred) positive of €39.5 million;
- a provision of -€3 million about taxation for transparency of black list foreign subsidiaries (CFC);
- a provision of -€4.2 million for taxes due from foreign branches in the respective countries;
- non-deductible taxes of -€2.4 million on foreign dividends received;
- extraordinary net income of +€127.4 million resulting from the revision of fiscal items relating 2015 that, during 2015 financial statement preparation, could only be estimated due to: non-definitive information, the positive outcome of the tax rulings, presented to the Agenzia delle Entrate on issues provided by the tax regulations, and the positive outcome of pending litigations;
- a benefit of +€2 million from the application of a specific facilitative tax provisions that generate tax credits (from film industry financing and art bonus).

Current IRES changed from -€97.8 million to €2,967.8 million due to the Balance Sheet loss and the full deductibility of the loans loss provisions reported for a higher amount respect to previous year.

Consequently, Deferred Tax Assets (DTA) would have reported of €2,967.8 million as tax losses carryforward.

Although the Tax Group return shows a tax credit, and following the sustainability test performed under a 5 years time horizon, set in order to harmonize the approach within the main Group Legal Entities, the related DTA amounting to €2,878.3 million have not been accounted.

The negative amount is largely due to changes in deferred taxes.

DTA arising from temporary differences, following the sustainability test performed, have not been accounted for an amount of €402 million.

Current IRAP is equal to zero due to the negative tax base generated by the consistent loans loss provisions and the fully deductibility of personnel costs for permanent employment contracts. The positive value is formed by the deferred taxes changes and in particular by the DTA set for severance provisions.

In 2016 is reported, even though the rate used to calculate the benefit increased from 4.5% to 4.75% under the Stability Law 2014 (Law No.147 of December 27, 2013), a further progressive reduction of the eligible share of the benefit linked to the increase in shareholders' equity (ACE) due to the reduction in capital, owing to shareholders' reserves' distribution as dividend, and the reduction for contributions to the capital or equity of controlled entities in Italy. Following the sustainability test fulfilment, the benefit for 2016, not immediately utilizable, for about €16.4 million, as has not been accounted.

## Net profit (loss)

The net loss for the period was -€11,460 million comparable with the net loss of -€2,736 million of the previous year.

## Results of the year

## The Balance Sheet

## Loans to Customers

As of December 31, 2016, loans to customers totaled €213,237

million, a decrease of €6,960 million (-3.2%) compared to December 31, 2015.

## Loans and receivables with customers

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Performing loans	169,167	164,829	+ 4,338	+ 2.6%
Repos	24,710	26,855	- 2,145	- 8.0%
Debt securities	3,364	1,569	+ 1,795	+ 114.4%
Non-Performing exposures	15,996	26,944	- 10,948	- 40.6%
<b>Total loans and receivables with customers</b>	<b>213,237</b>	<b>220,197</b>	<b>- 6,960</b>	<b>- 3.2%</b>
<i>of which:</i>				
<i>units operating in Italy</i>	212,067	218,977	- 6,910	- 3.2%
<i>units operating abroad</i>	1,170	1,220	- 50	- 4.1%

This decline is essentially attributable to loans disbursed by the units operating in Italy (€212,067 million), which decreased by €6,910 million compared with the figures at December 31, 2015 (€218,977 million).

More specifically:

- **performing loans** increased by €4,338 million (+2.6%);
- **repurchase agreements** recorded a decrease of €2,145 million (-8.0%);
- **debt securities** rose by €1,795 million (+114.4%);
- **impaired assets** decreased by €10,948 million (-40.6%).

“**Performing loans**” (€169,167 million at March 31, 2016) included €5,251 million (+€1,188 million compared to December 31, 2015) due from Special Purpose Vehicles (SPVs), attributable to liquidity which UniCredit S.p.A., following the downgrading from 2012 by the rating agencies involved in the transactions, had to transfer (based on the contractual documentation signed) to other banks, still considered “eligible”, in favor of the SPVs granting loans as part of transactions originated by UniCredit S.p.A. in relation to securitizations and covered bond issue programs.

**Reverse repos** amounted to €24,710 million at December 31, 2016 (€26,855 million at the end of 2015), and consisted almost entirely of transactions with Cassa di Compensazione e Garanzia and with Cassa Depositi e Prestiti.

**Debt securities**, excluding impaired assets, amounted to €3,364 million at December 31, 2016. The increase in this aggregate item (+€1,795 million) is essentially attributable to:

- periodic amortization of the securities in the portfolio associated with the LOCAT SV - SERIES 2011 securitization;
- reimbursement of the portfolio security associated with the “Trevi Finance 3” securitization;
- subscription of the new LOCAT SV-ABS securities.

**Impaired loans** at the end of December 2016 amounted to €15,996 million and came to 7.5% of the total amount of loans to customers. They mainly referred to the business segment.

The change in this aggregate (-40.6% compared to €26,944 million at the end of December 2015 restated) is the direct result of:

- the launch of the “FINO Project”, involving a set of credit exposures to non-performing customers held for sale (the FINO Portfolio), which at December 31, 2016, were classified in item “140. Non-current assets and disposal groups held for sale”, while at year-end 2015 they were classified (with a net book value of €6,213 million) as loans to customers, within the impaired assets aggregate. Given the peculiar aspects of the “FINO Project”, for a complete disclosure see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, at the foot of table “A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)”;
- the higher coverage of impaired loans, following the implementation of a new approach in the management and recovery of such loans that focuses on the timeliness of receipts in order to more quickly reduce their stock (the PORTO Project) as envisaged in the new 2016-2019 Strategic Plan approved on December 12, 2016. Again, for a more detailed disclosure on the Project and its effects, see the analysis provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, at the foot of table “A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)”.



## Credit Quality

As of December 31, 2016, the face value of the impaired assets totaled €36,832 million, representing 15.7% of total nominal loans to customers (21.4% including the FINO portfolio, which at December 31, 2016 was classified in item 140. "Non-current assets and disposal groups held for sale", pursuant to IFRS5), down by 22.5% on December 31, 2015, restated. At book value (net of write-downs of €20,836 million), impaired loans stood at €15,996 million at year-end 2016 (€18,205 million including the FINO portfolio), down compared to €26,871 million at December 31, 2015, restated, representing 7.5% of total loans (8.4% including the FINO portfolio) compared to 12.2% at the end of 2015.

The ratio of non-performing loans (at face values) amounted to 8.1% of total loans to customers (14.4% including the FINO portfolio; 14.6% at the end of 2015, restated); loans classified as unlikely to pay amounted to 7.3% of total loans (7.2% at the end of 2015, restated), while impaired past due exposures amounted to 0.3% of total loans (0.6% at the end of 2015, restated).

The coverage ratio of impaired loans (specific write-downs to face value) came to around 56.6% (66.2% including the FINO portfolio), up on the 52.3% figure recorded at the end of December 2015 and consisting of 67.9% of non-performing loans, (76.9% including the

FINO portfolio), 44.5% of loans classified as unlikely to pay and 39.8% of impaired past due exposures.

Performing loans, which amounted to €198,239 million at face value (€194,437 million at December 31, 2015, restated), were written down, at December 31, 2016, by a total of €998 million, with a coverage ratio of 0.5% (0.57% at the end of December 2015, restated). The decrease in coverage ratio is essentially attributable to derecognized positions with a high coverage ratio at the end of 2015.

Overall, therefore, total loans to Customers at December 31, 2016 stood at €235,071 million (€252,116 million including the FINO portfolio), with value adjustments of €21,834 million (€36,670 million including the FINO portfolio), taking the general level of coverage for Loans to Customers to 9.3% (14.5% including the FINO portfolio; 12.2% at December 31, 2015 restated).

For the management and recovery of problem loans (non-performing and unlikely to pay), the Bank uses the services offered by doBank S.p.A., a bank specialized in loan recovery.

The summary table below provides additional details:

### Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL (*) NON-PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 12.31.2016</b>						
Gross Exposure	19,155	17,059	618	36,832	198,239	235,071
as a percentage of total loans	8.15%	7.26%	0.26%	15.67%	84.33%	
Writedowns	12,996	7,594	246	20,836	998	21,834
as a percentage of face value	67.85%	44.52%	39.81%	56.57%	0.50%	
Carrying value	6,159	9,465	372	15,996	197,241	213,237
as a percentage of total loans	2.89%	4.44%	0.17%	7.50%	92.50%	
<b>As at 12.31.2016 ("FINO" portfolio included)</b>						
Gross Exposure	36,200	17,059	618	53,877	198,239	252,116
as a percentage of total loans	14.36%	6.77%	0.25%	21.37%	78.63%	
Writedowns	27,832	7,594	246	35,672	998	36,670
as a percentage of face value	76.88%	44.52%	39.81%	66.21%	0.50%	
Carrying value	8,368	9,465	372	18,205	197,241	215,446
as a percentage of total loans	3.88%	4.39%	0.17%	8.45%	91.55%	
<b>As at 12.31.2015 recasted<sup>(1)</sup></b>						
Gross Exposure	36,615	18,157	1,578	56,350	194,437	250,787
as a percentage of total loans	14.60%	7.24%	0.63%	22.47%	77.53%	
Writedowns	22,921	6,077	481	29,479	1,111	30,590
as a percentage of face value	62.60%	33.47%	30.48%	52.31%	0.57%	
Carrying value	13,694	12,080	1,097	26,871	193,326	220,197
as a percentage of total loans	6.22%	5.49%	0.50%	12.20%	87.80%	

(\*) The scope of impaired credit exposures - including the FINO portfolio recorded in item "140. Non-current assets and disposal groups classified as held for sale" - is equivalent to the scope of Non-Performing Exposures according to the EBA definition.

(<sup>1</sup>) The situation at December 31, 2015, restated, includes the loans to customers comprised in the "CEE Business" business unit acquired on October 1, 2016 by UniCredit S.p.A. through the merger by absorption of the company UCG Beteiligungsverwaltung GMBH, with accounting and income statement effect from January 1, 2016. Specifically: non-performing loans (gross exposure €92 million and value adjustments €91 million); unlikely to pay (gross exposure €746 million and value adjustments €245 million); impaired past due exposures (gross exposure €24 million and value adjustments €19 million); performing loans (gross exposure €4,539 million and value adjustments €24 million).

# Results of the year

## Deposits from Customers and Debt Securities in Issue

Deposits from customers and debt securities in issue, totaling €279,648 million (-1.1% year on year), recorded a decrease of €3,072 million

compared to the end of 2015 due to operating units in Italy for -€3,357 million and an increase attributable to operating units abroad for +€285 million.

### Deposits from customers and debt securities in issue

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Deposits from customers	196,521	181,574	+ 14,947	+ 8.2%
Debt securities in issue	83,127	101,146	- 18,019	- 17.8%
<b>Total deposits from customers and debt securities in issue</b>	<b>279,648</b>	<b>282,720</b>	<b>- 3,072</b>	<b>- 1.1%</b>
<i>of which:</i>				
<i>units operating in Italy</i>	274,336	277,693	- 3,357	- 1.2%
<i>units operating abroad</i>	5,312	5,027	+ 285	+ 5.7%

Deposits from customers came to €196.121 million, an increase of €14,947 million on the end of 2015.

More specifically:

- current accounts and demand deposits increased by €14,811 million;
- time deposits reduced by €1,287 million;
- repurchase agreements with customers increased by €1,753 million;
- other types of deposits reduced by €330 million.

Debt securities in issue, equal to €83,127 million, decreased in 2016 for €18.019 million, mainly attributable to operating units in Italy that saw an overall decrease of €18,554 million, driven by bond issues (-€16,408), certificates of deposit (-€689 million) and to "buoni fruttiferi" (-€1,457 million); certificates of deposit with operating units abroad increased by €535 million.

## Financial Investments

Over 2016, financial investments showed a decrease of €6,862 million (-6%) resulting from the combination of the changes in available-for-sale financial assets (-€911 million), in

held-to-maturity investments (+€3 million), in investments in associates and joint ventures (-€5,775 million) and in financial assets at fair value through profit or loss (-€179 million).

### Financial investments

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Financial assets at fair value through profit or loss	159	338	- 179	- 53.0%
Available-for-sale financial assets	64,525	65,436	- 911	- 1.4%
of which: equity investments	2,205	1,995	+ 210	+ 10.5%
debt securities, equity instruments and investments funds units	62,320	63,441	- 1,121	- 1.8%
Held-to-maturity investments	755	752	+ 3	+ 0.4%
Equity investments	42,935	48,710	- 5,775	- 11.9%
<b>Total financial investments</b>	<b>108,374</b>	<b>115,236</b>	<b>- 6,862</b>	<b>- 6.0%</b>
of which:				
units operating in Italy	108,360	115,220	- 6,860	- 6.0%
units operating abroad	14	16	- 2	- 12.5%

More specifically:

- Available-for-sale financial assets included €62,320 million in debt and equity securities and units in investment funds, decreased by €1,121 million primarily due to sales and redemption of Italian government securities and for the impairment of €547 million of Atlante Fund and €2,205 million in equity interests. Equity interests included in this portfolio posted an annual increase of €210 million, mainly attributable to:
  - disposals totaling €400 million which resulted in the recognition of gains on disposal for about €105 million. The following should be noted in particular: the sale of the investment in Cisalfa Sport S.p.A. for €15 million (which resulted in a profit on sale of €15 million); the sale of the investment in Banca d'Italia for €160 million (no gain or loss on disposal); the sale of the investment in ERG Renewal S.p.A. for €59 million (which resulted in a gain on disposal of €10 million). In addition, the replacement of the shares of Visa Europe Limited (book value before the replacement €44 million) with shares of Visa Inc. (€14 million) resulted in a gain on disposal of €64 million (main component of the overall result recorded in 2016);
  - positive changes in fair value recognized in equity for a total of €19 million (of which €11 million SIA-SSB S.p.A.);
  - impairment losses posted to the income statement for a total of €61 million in 2016 (of which €16 million related to Prelios S.p.A., €6 million related to Italtel, €22 million related to Risanamento S.p.A., €3 million related to Gabetti Property Solutions S.p.A.);
  - purchases and other increases for a total of €547 million, including: €60 million ERG SpA; 62 million Eramet SA; €395 million ABH Holding S.A. (acquired following the sale of Public Joint Stock Company Ukrotsbank);
- the value of equity investments, equal to €42,935 million, decreased by €5,775 million, mainly driven by the combined

effects arising from:

- the transfer to "Non-current assets and disposal groups classified as held for sale" (item 140 of the Assets) of the investments in Bank Pekao S.A. (€2.975 million, after the partial sale occurred during the year which generated a total revenue of €749 million) and in Pioneer Global Asset Management S.p.A. (€2,274 million);
- the partial sale of Fineco Bank S.p.A. for a total of €877 million (which, net of transaction costs amounting to €9 million, resulted in a gain on disposal of €543 million);
- the increase in the capital base of Cordusio SIM S.p.A. (€226 million);
- the subscription of the capital increase of UniCredit Leasing S.p.A. (€300 million), and the subsequent value adjustment (€626 million), as a result of the losses recorded by the company following the actions taken with the introduction, in the fourth quarter of 2016, of the new approach for the management of impaired loans involving some of the Italian Group companies (including precisely UniCredit Leasing S.p.A.), within the framework of and in conjunction with the development of the new Group Strategic Plan 2016-2019.
- the write-downs of the investment in Koc Finansal Hizmetler (for a total of €377 million);
- the subscription of the capital increase of UniCredit Bank Austria AG for €1,000 million (the investment was subsequently written down by €49 million as at December 31, 2016).

It should be noted that the effects of that corporate transfer of the CEE business unit ("CEE Business"), comprising the equity investments in the subsidiaries in the CEE area, by UniCredit Bank Austria AG to UniCredit S.p.A., completed on October 1, 2016 (with accounting and economic effects as of January 1, 2016), have already been considered in the restated 2015 figures used for comparison, to ensure a consistent and uniform analysis of the events described above.

## Results of the year

## Interbank Position

The Bank recorded, under its financial activities, a net interbank position at the end of 2016 of assets (€22,349 million) and liabilities (€44,381 million) equal to -€22,032 million. Compared with the corresponding figures at the end of 2015 (net equal to -€21,798 million), the balance showed an increase in the net liabilities of -€234 million due to the combined effect of the increase in Loans and receivables with banks (+€1,204 million) and of the increase of Deposits from banks (+€1,438 million).

In this regard, the above Deposits increase was mainly generated by

the higher refinancing transactions carried out with the European Central Bank in particular in the second quarter of 2016, in the context of the numerous initiatives implemented by the European Central Bank since 2014 to support the economic growth in the Euro zone.

Furthermore, the Banks showed an increasing trend of Loans and receivable with banks (+€1,204 million) mainly resulting from the reimbursement of some money market lending activities and from a different lending mix in the context of the intercompany liquidity management within the Group.

## Interbank position

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
<b>Loans and receivables with banks</b>	<b>22,349</b>	<b>21,145</b>	<b>+ 1,204</b>	<b>+ 5.7%</b>
<i>units operating in Italy</i>	22,094	20,967	+ 1,127	+ 5.4%
<i>units operating abroad</i>	255	178	+ 77	+ 43.3%
<b>Deposits from banks</b>	<b>44,381</b>	<b>42,943</b>	<b>+ 1,438</b>	<b>+ 3.3%</b>
<i>units operating in Italy</i>	43,078	40,680	+ 2,398	+ 5.9%
<i>units operating abroad</i>	1,303	2,263	- 960	- 42.4%
<b>NET INTERBANK POSITION</b>	<b>(22,032)</b>	<b>(21,798)</b>	<b>- 234</b>	<b>+ 1.1%</b>
<i>units operating in Italy</i>	(20,984)	(19,713)	- 1,271	+ 6.4%
<i>units operating abroad</i>	(1,048)	(2,085)	+ 1,037	- 49.7%

## Shareholders' Equity

Shareholders' Equity at December 31, 2016 amounted to €32,697 million, a decrease of €11,533 million compared to December 31, 2015 restated for comparative purposes with the impact arising from the transfer of "CEE Business" from UniCredit Bank Austria AG to UniCredit S.p.A., occurred on October 1, 2016 (with accounting and economic effect starting from January 1, 2016). The decrease is attributable to:

- +€495 million from the issuance of Additional Tier 1 Notes recorded net of transaction cost in the item "Equity Instrument";
- +54 €million from the adjustment to the reserve dedicated to Equity Settled Share Based Payments;
- -€5 million from the allocation to the reserve connected to Equity Settled Share Based Payments where the Bank opted for the cash settlement;
- -€57 million from the allocation to the reserve arising from settlement of actuarial gains (losses) on definite benefit plans;
- -€3 million from the allocation to the purchase cost reserve of the "free shares" granted to group employees who had subscribed to the broad-based share plan for Group employees;
- -€128 million from the usufruct fees related to financial instruments ("Cashes") involving almost all the shares subscribed by Mediobanca S.p.A., during the corresponding capital increase in the first few months of 2009;
- -€116 million from the allocation to the reserves of the coupon paid to subscribers of the aforesaid Additional Tier 1 notes, net of taxes;
- -€378 million from the net effect deriving from revaluation

reserves, of which: -€274 million from available-for-sale financial assets, -€115 million from cash flow hedges and +€11 million from defined benefit plans;

- -€158 million from the payment to shareholders that exercised the right provided as part of the methods for executing the "Scrip Dividend", to request that the dividend for 2015 be paid in cash in place of the free assignment of shares;
- +€223 million from the recognition of the net reserve resulting from the transfer of the business unit "Wealth management" in favor of group company Cordusio SIM S.p.A.;
- -€11,460 million from the profit (loss) for the period.

Note the following significant changes in 2016 which, though reflected among the various components of shareholders' equity, did not change the overall amount thereof:

- the increase of €589 million in share capital following the free capital increases implemented:
  - the resolution of the Board of Directors of February 9, 2016 executed through a withdrawal of €41 million from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group Personnel;
  - the resolution of the Shareholders' Meeting of April 14, 2016 relating to the payment of the "Scrip Dividend" for 2015, carried out by withdrawing €548 million from the pre-existing reserves from profit;
- the Reserves reflect the changes resulting from the above operations on share capital.

### Shareholders' Equity

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2016	12.31.2015	AMOUNT	%
Share capital	20,847	20,258	+ 589	+ 2.9%
Share premium	14,385	15,977	- 1,592	- 10.0%
Equity instruments	2,383	1,888	+ 495	+ 26.2%
Reserves	5,828	7,751	- 1,923	- 24.8%
Reserves for special revaluation laws	277	277	-	-
Treasury shares	(2)	(2)	-	-
<b>Total capital and reserves</b>	<b>43,718</b>	<b>46,149</b>	<b>- 2,431</b>	<b>- 5.3%</b>
Revaluation reserves	439	817	- 378	- 46.3%
Net profit or loss	(11,460)	(2,736)	- 8,724	+ 318.9%
<b>Total Shareholders' Equity</b>	<b>32,697</b>	<b>44,230</b>	<b>- 11,533</b>	<b>- 26.1%</b>

# Results of the year

## Capital Strengthening

On January 12, 2017, the Shareholders' Meeting approved a share capital increase for cash consideration up to an aggregate amount of €13 billion, including any share premium, to be carried out no later than June 30, 2017, also in one or more tranches and in a divisible form, through the issue of ordinary shares with regular entitlement to be pre-emptively offered to the Company's ordinary shareholders and holders of saving shares pursuant to article 2441, paragraphs first, second and third of the Italian Civil Code ("Rights Issue"). The Rights Issue is one of the pillars of the 2016-2019 Strategic Plan and will allow a significant strengthening of the Group's capital ratios, so as to be in line with the best European systemic banks. The positive impact on the UniCredit's pro-forma CET1 consolidated ratio is estimated equal to 361 basis points (calculated net of transaction costs) based on the financial position as of December 31, 2016 adjusted for the Strategic Plan perimeter post M&A transactions (i.e. disposal of Bank Pekao to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR"), and Pioneer Investments to Amundi) and assuming the full application of the Basel III Agreement provisions as well as the execution of the full €13 billion issue volume of the Rights Issue. The Shareholders' Meeting granted the Board of Directors the powers to establish, shortly prior to the launch of the public offering, the definitive amount of the Rights Issue, the subscription price of the newly issued shares, the portion to be allocated to the share capital and that to be allocated to the share premium reserve, the terms of effectiveness of the related subscriptions, the number of shares to be issued and the option ratio applicable to the ordinary and savings shares. The Shareholders' Meeting also granted the Board of Directors the powers to determine the timing for the approval of the Rights Issue, specifically for the launch of the offering of option rights as well as the later offer on the stock exchange of any rights that have not been exercised at the end of the subscription period.

The Shareholders' Meeting also approved a reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares.

On January 30, 2017, UniCredit S.p.A. filed the registration document and made it available to the public following the approval by the Commissione Nazionale per le Società e la Borsa (CONSOB), through the note dated January 27, 2017, ref. No.0013115/17.

On February 1, 2017, the Board of Directors of UniCredit S.p.A. approved the terms and conditions and the timetable of the pre-emptive offer of ordinary shares to the existing shareholders (the "Offering"), to be offered in Italy, Germany and Poland, based on the resolution of the extraordinary shareholders' meeting dated January 12, 2017.

The Offering has been carried out through the issuance of no par value new ordinary shares, to be pre-emptively offered to existing holders of ordinary and savings shares of the Company at the price of Euro 8.09 per share (of which Euro 0.01 as share capital and Euro 8.08 as share premium) at the subscription ratio of 13 new ordinary shares for every 5 ordinary and/or savings share held. As a result, a maximum of No.1,606,876,817 new ordinary shares have been issued in the context of the Offering, for an aggregate

amount of the transaction equal to maximum Euro 12,999,633,449.53 (of which up to Euro 16,068,768.17 as share capital and up to Euro 12,983,564,681.36 as share premium). Therefore it has been planned that:

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

In addition the underwriting agreement related to the transaction was signed. The underwriting syndicate has been coordinated and led by UniCredit Corporate & Investment Banking, Morgan Stanley and UBS Investment Bank acting as structuring advisors and, together with BofA Merrill Lynch, J.P. Morgan and Mediobanca, as joint global coordinators and joint bookrunners and, in addition, including Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs International and HSBC acting as co-global coordinators and joint bookrunners, Banca IMI, Banco Santander, Barclays, BBVA, BNP PARIBAS, COMMERZBANK, Crédit Agricole CIB, Natixis and Société Générale acting as joint bookrunners, ABN AMRO, Banca Akros, and Macquarie Capital acting as co-bookrunners, Danske Bank as co-lead manager, as well as CaixaBank, Equita SIM, Haitong, Jefferies, RBC Capital Markets, SMBC Nikko and Keefe, Bruyette & Woods acting as co-managers. The underwriting syndicate members (with the exception of UniCredit Corporate & Investment Banking) have committed, severally and not jointly, to subscribe any newly issued shares that remain unsubscribed at the end of the auction period which has been held after the subscription period, up to a maximum amount equal to the aggregate amount of the Offering.

On February 3, 2017, UniCredit S.p.A. filed the Securities Note and the Summary Note related to the rights offering following the approval by CONSOB (the "Prospectus" along with the Registration Document). On the same date, UniCredit S.p.A. announced that, following to the accomplishment of the so-called "passporting procedure" set forth in the European applicable law, the English translation (the "English Prospectus") of the Registration Document, the Securities Note and the Summary Note (the "Prospectus"), as well as the Polish and German translation of the Summary Note, were available on the Company's website [www.unicreditgroup.eu](http://www.unicreditgroup.eu). On February 15, 2017, UniCredit S.p.A. informed that, following the approval by the Commissione Nazionale per le Società e la Borsa (CONSOB), it published a supplement to the prospectus relating to the rights offering. The supplement was prepared for the purpose of supplementing the information contained in the Prospectus following to: (i) the resolution of the Board of Directors of the Company dated February 9, 2017 which approved both on an individual and consolidated basis the preliminary figures relating to the Q4 2016 and the preliminary results for the year ended December 31, 2016, also for the purpose of European Union harmonised, consolidated regulatory reporting (FINancial REPorting - FINREP) pursuant to the

applicable binding implementation technical standards; and (ii) the signing, on February 4, 2017, of an agreement with the Trade Unions related to the redundancies envisaged in Italy as part of the UniCredit Group's strategic plan 2016-2019.

Pursuant to applicable laws and regulations, the investors that agreed to subscribe new shares that were the object of the offer in Italy during the period between February 6, 2017 and the date of publication of the Supplement in Italy (included), they had the right to revoke their subscription within two business days from the date of publication of the Supplement (i.e. until February 17, 2017 included), at the depositary intermediary where the subscription rights were exercised.

On the same date February 15, 2017, UniCredit S.p.A. announced that, following to the accomplishment in Germany and Poland of the so-called "passporting procedure" set forth in the European applicable law with respect to the supplement to the prospectus relating to the rights offering, the English translation of the Supplement as well as the Polish and German translations of the summary note, as amended and supplemented by the Supplement, have been made available to the public.

On February 23, 2017, UniCredit S.p.A. announced that during the subscription period (February 6, 2017 - February 23, 2017 in Italy and Germany and February 8, 2017 - February 22, 2017 in Poland, the "Subscription Period") No.616,559,900 subscription rights were exercised in respect of No.1,603,055,740 New Shares, representing 99.8% of the total New Shares offered, for an aggregate amount of Euro 12,968,720,936.60.

At the end of the Subscription Period, No.1,469,645 rights relating to the subscription of No.3,821,077 New Shares, representing 0.2% of the total New Shares offered, for an aggregate amount of Euro 30,912,512.93 remained unexercised.

On February 27, 2017, UniCredit S.p.A. announced that during the first trading session (held on February 27) all 1,469,645 rights not exercised during offering period (the "Unexercised Rights"), for the subscription of No.3,821,077 newly issued UniCredit ordinary shares (the "New Shares") have been sold for a total amount of Euro 15,063,861.25.

On March 2, 2017, UniCredit S.p.A. announced that the rights issue for the subscription of No.1,606,876,817 newly issued UniCredit ordinary shares has been completed. The rights issue has been fully

subscribed for an aggregate amount of Euro 12,999,633,449.53 and no New Shares were subscribed by the underwriters.

Pursuant to art.2444 of the Italian Civil Code, the certification of the full subscription of the rights issue, including the updated share capital amount, has been filed for registration with the Rome Companies' Register.

On December 14, 2016 UniCredit S.p.A. launched Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1 notes, for a total amount of €500 million in private placement format.

The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after 5.5 years (June 2022) and thereafter at any interest payment date. Notes pay fixed rate coupons of 9.25% per annum for the initial 5.5 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate +930 bps. In line with the regulatory requirements, the coupon payments are fully discretionary.

Besides the operations of Capital Strengthening previously mentioned, during 2016 the following capital transactions occurred:

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

# Results of the year

## Shareholders

The share capital, fully subscribed and paid up, totals/amounts to €20,846,893,436.94 divided into No.6,180,343,073 shares with no face value, of which No.6,177,818,177 ordinary shares and No.2,524,896 savings shares.

At December 31, 2016, according to analyses performed using data from heterogeneous sources, including the content of the Register of Shareholders, documentation relating to participation in the shareholders' meeting of the Company, communications to CONSOB, public filings available on the market:

- there were approximately 359,000 shareholders;
- resident shareholders held around 38,37% of the capital and foreign shareholders 61,63%;
- 78% of the ordinary share capital is held by legal entities, the remaining 22% by individuals.

Also as of that date, the main shareholders, those who hold significant shareholdings exceeding 3%, according to communications received in accordance with current legislation, who are not entitled to the exemption from the mandatory communication as set forth under art.119bis of the Consob Regulation No.1197 of 1999, are:

### Principal UniCredit shareholders

SHAREHOLDER	ORDINARY SHARES	% OWNED <sup>(1)</sup>
Capital Research and Management Company	415,451,097	6,725% <sup>(2)</sup>
- of which on behalf of di EuroPacific Growth Fund	317,067,157	5.132%
Aabar Luxembourg S.a.r.l.	311,503,315	5.042%

(1) As a percentage of ordinary capital.

(2) Non-discretionary asset management.

## Treasury Shares

The treasury share balance was unchanged from year-end 2015 due to the fact that there were no transactions involving treasury shares in 2016. The number of shares, now with no face value, reflects their aggregation, approved by the Extraordinary Shareholders' Meeting of December 15, 2011, in preparation for the subsequent capital increase carried out in the early months of 2012.

### Treasury shares

Number of ordinary shares as at 12.31.2016	47,600
% on capital stock	n.s.
Carrying value as at 12.31.2016 €	2,440,001



## Capital and Value Management

### Principles of value creation and disciplined capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate sustainable earnings measured as EVA (Economic Value Added), which is the main performance indicator related to TSR (Total Shareholder Return).

The development of Group operations with a view to value creation requires a process for allocating and managing capital governed by different phases in the process of planning and control, articulated as:

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

The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.

### Capital Ratios

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

### Transitional Own Funds and Capital Ratios

(€ million)

	AMOUNTS AS AT	
	12.31.2016 <sup>(*)</sup>	12.31.2015 <sup>(*)</sup>
Common Equity Tier 1 Capital	28,697	41,742
Tier 1 Capital	31,874	44,475
Total own funds	40,649	54,281
Total RWA	200,612	190,394
<b>Common Equity Tier 1 Capital Ratio</b>	<b>14.30%</b>	<b>21.92%</b>
<b>Tier 1 Capital Ratio</b>	<b>15.89%</b>	<b>23.36%</b>
<b>Total Capital Ratio</b>	<b>20.26%</b>	<b>28.51%</b>

(\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.

The economic and financial crisis, which began in 2007, has raised an intense debate on the need to promote a stronger and more resilient financial system. Therefore, over the last years, global regulators introduced a series of new regulatory requirements that have contributed greatly to re-shape the financial markets landscape. In particular, in December 2010, the Basel Committee for Banking Supervision (BCBS) published a series of changes relating to the requirements for banking institutions on capital and liquidity, also known as "Basel 3". The regulatory changes introduced by the Basel 3 framework define more stringent rules for capital requirements and introduce for the first time liquidity and leverage limits. According to the Basel 3 framework, the new rules are introduced gradually in order to allow the banking system to comply with the new requirements and contain the impact on the real economy. In Europe, the Basel 3 framework has been translated into law by means of two separate legislative instruments applied from January 1, 2014: the Directive 213/36/EU (CRD) and the Regulation (EU) No.575/2013 (CRR). Moreover, in December 2013 Bank of Italy published "Circolare 285" which updated the rules on Italian banks and banking groups, so to adjust them to the new international regulation framework.

In addition, Council Regulation (EU) No.1024/2013 of October 15, 2013 (Regulation "SSM" - Single Supervisory Mechanism) has conferred specific tasks on the European Central Bank (ECB) concerning policies relating to the prudential supervision of credit institutions.

Over the years, to discipline specific regulatory issues, several delegated Regulation and Regulation have been published respectively by Commission and European Central Bank.

In application of Article 92 of CRR, UniCredit group is required to satisfy the following minimum capital requirements: a Common Equity Tier 1 (CET1) ratio of 4.5%, a Tier 1 ratio of 6% and Total Capital ratio of 8%.

These minimum requirements are complemented by the combined buffer requirement as defined in Article 128(6) of CRD. Failure to comply with such combined buffer requirement triggers restrictions on distributions, up to a limit which is defined as Maximum Distributable Amount (MDA), and the need to adopt a capital conservation plan.

The combined buffer requirement applicable to UniCredit at consolidated level includes the following:

- a capital conservation buffer (CCB) set at 2.5% by Bank of Italy for Italian Banking Groups until December 31, 2016.

# Results of the year

From January 2017, given Bank of Italy 18<sup>th</sup> update of Circular 285 (published on October 6, 2016), which modifies the capital conservation buffer requirement, national regulation is aligned with transitional rules as permitted by CRD, both at the individual and consolidated level: therefore, the Capital Conservation Buffer is set equal to 1.25% for 2017, then annually increasing by 0.625%, so to reach 2.5% no later than January 1, 2019.

- a specific countercyclical capital buffer (CCyB) to be applied in period of excessive credit growth, for UniCredit group is equal to 0.005% of the risk weighted exposures. This buffer depends on national authorities decisions defining country-specific buffers, to be calculated on a quarterly basis. As of December 31, 2016, in line with Basel Committee official website, only Sweden, Norway and Hong Kong have defined countercyclical capital buffers different from 0% (respectively 1.5%, 1.5% and 0.625%). According to Basel 3 transitional rules, the maximum applicable factor for 2016 is equal to 0.625%, increasing by 0.625% per year up to 2.5% from January 1, 2019;
- a Global Systemically Important Institutions ("G-SII") capital buffer of 0.25% since Banca d'Italia has identified UniCredit group as a global systemically important institution (G-SII) authorized to operate in Italy<sup>1</sup>. UniCredit group is classified in the first sub category of the systemic importance. According to the transitional provisions envisaged under the CRD, this buffer will have to increase annually by 0.25%, to reach 1% no later than January 1, 2019;
- an Other Systemically Important Institutions ("O-SII") capital buffer, equal to 0% since Bank of Italy has identified UniCredit (together with Intesa Sanpaolo and Monte dei Paschi di Siena banking groups) as an O-SII authorized to operate in Italy. The 'O-SII buffer' for UniCredit remains equal 0% for 2017 while from January 1, 2018 is increased annually by 0.25% to reach 1% no later than January 1, 2021<sup>2</sup>. G-SII and O-SII buffers are not cumulative but only the highest of the two applies (as a consequence UniCredit have to comply with the G-SII buffer equal to 0.50% for 2017);
- a Systemic Risk Buffer to prevent system or macro prudential risks (not applicable at December 31, 2016).

Moreover the Group is required to satisfy the capital requirements that are imposed yearly by the decision following the results of the Supervisory Review and Evaluation Process (SREP) performed by the ECB in application of Article 16(2) of SSM Regulation.

Following the result of SREP 2015, UniCredit has been required to meet on a consolidated basis a CET1 ratio Transitional of 9.75% in 2016.

The 2015 SREP requirement includes the Capital Conservation buffer (CCB), while the G-SII Buffer and the CCyB capital buffers apply on top of it: as a consequence the CET1 ratio level triggering the calculation of the MDA for UniCredit group in 2016 is equal to 10.005%.

As of December 31, 2016, UniCredit group's CET1 Transitional equals 8,15% and therefore does not temporarily comply with SREP 2015 limits, with a gap of 1.86%<sup>3</sup>.

## SREP 2016

Following the result of SREP 2016, ECB has set Pillar 2 Requirement for UniCredit group equal to 2.5%; to be added to minimum requirements as defined by Art. 92 of CRR. As a consequence from January 1, 2017 the following Total SREP Capital Requirements (TSCR) apply to UniCredit on a consolidated basis:

- 7% CET 1 ratio;
- 8.5% Tier 1 ratio;
- 10.5% Total Capital ratio.

Moreover UniCredit has to comply with the Overall Capital Requirements (OCR) which include, in addition to TSCR the combined buffer requirement equal to 1.78%.

The combined buffer requirement includes 1.25% Capital Conservation Buffer (CCB), 0.50% G-SII buffer and 0.03% Countercyclical Capital Buffer (CCyB)<sup>4</sup>.

Therefore, the applicable Overall Capital Requirements (OCR) at consolidated level, are:

- 8.78% CET 1 ratio;
- 10.28% Tier 1 ratio;
- 12.28% Total Capital ratio.

<sup>1</sup> The decision was taken pursuant to Banca d'Italia Circular No.285/2013 on prudential regulations for banks, which implements the CRD IV rules in Italy and specifies the criteria on which the methodology for identifying the G-SIIs is based. The criteria and data required to identify and classify the G-SIIs among the various subcategories are listed in the Commission Delegated Regulation (EU) No.1222/2014. The delegated regulation contains provisions consistent with the methodology used by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB), in order to ensure that each year the banks identified as global systemically important institutions correspond to the European banks included on the FSB list, also published annually.

<sup>2</sup> The decision to identify the three banking groups as O-SIIs was taken pursuant to Banca d'Italia Circular No.285/2013 on prudential regulations for banks, which implements Directive 2013/36/EU (Capital Requirements Directive, CRD IV) in Italy and specifies the criteria on which the methodology for identifying the O-SIIs is based. The assessment was carried out following the European Banking Authority Guidelines (EBA/GL/2014/10), which set out the criteria and the data required to identify O-SIIs in EU jurisdictions. The Guidelines are consistent with the rules set by the Basel Committee on Banking Supervision to identify systemically important banks at a national level, the goal being uniformity in the identification process at an international level.

<sup>3</sup> This negative gap is entirely due to non-compliance with the Combined buffers (Capital conservation, Countercyclical capital and G-SII) equal to 2.755%.

<sup>4</sup> The 2017 CCyB (equal to 0.03%) is estimated on the basis of the buffers set by National Authorities applicable since March 2017, and geographic credit exposures split as of December 2016. In line with Basel Committee official website the following national authorities have defined buffer requirements different from 0%, applicable from March 2017: Sweden (2%), Norway (1.5%), Hong Kong (1.25%), United Kingdom (0.5%) and Czech Republic (0.5%).

According to Basel 3 transitional rules, the maximum applicable factor for 2017 is equal to 1.25%, increasing by 0.625% per year up to 2.5% from January 1, 2019.

Moreover as for CET1 ratio the definition of the Pillar 2 Guidance (P2G) equal to 1.25% defining the CET1 ratio limit at 10.03% for the 2017<sup>5</sup>

UniCredit Group capital ratios, calculated as of December 31, 2016 were temporarily not compliant with SREP 2016 requirements applicable from January 1, 2017. In particular OCR requirements are temporarily not compliant with a gap of 0.63%, 1.24%, 0.62% respectively for CET1 ratio, Tier1 ratio and Total Capital ratio. In addition also OCR + Pillar 2 Guidance ("P2G") requirement, relevant only for CET1 ratio is not respected with a gap of 1.88%<sup>6</sup>.

Following the completion of the subscription of the Capital Increase, occurred on March 2, 2017, considering the €13 billion subscribed

by investors, compliance with SREP 2016, capital requirements ("OCR" capital requirements including also "P2G" defined for CET1 ratio, applicable from January 1, 2017) has been restored.

Following the restored compliance with capital regulatory requirements, UniCredit group is no more subject to the constraints on dividend allocation, Additional Tier 1 instruments payments and variable remunerations, as stated in Art.141 of the CRD.

The Board of Directors proposes to not allocate dividend for 2016.

<sup>5</sup> OCR including also Pillar 2 Guidance (10.03% CET1 ratio) is not MDA relevant. However, its breach requires immediate notification to ECB, which might impose measures, including the submission of a capital restoration plan.

<sup>6</sup> The gap of 1.88% is due to the Pillar 2 Capital guidance (equal to 1.25%) and to the combined buffer (Capital conservation, Countercyclical Capital and G-SII) for the remaining 0.63%.

# Organizational Model

## Significant organizational changes in 2016

On July 26, 2016, the Board of Directors approved the new organizational model for UniCredit S.p.A., focused on the following changes:

- creation of a new role of General Manager who takes on the responsibilities for all the business activities, focusing on the ongoing development of clients services aiming to maximize the cross selling and leading the Group digital strategies, as well as defining the new service model of the Bank;
- cancellation of the Deputy General Manager roles with the contextual reallocation of responsibilities and activities;
- set up of a new the Chief Operating Office, position covered by two co-Heads (co-Chief Operating Officers) who lead the oversight of the operational machine with a specific focus on Costs and on IT&Operations; in particular the two co-Heads are respectively responsible for Finance&Cost Management and for IT&Operations, Security and Internal Controls.

## Organizational Structure

UniCredit group organization reflects an organizational and business model that maintains a divisional structure for the governance of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as overall control over the Global Banking Services functions, by ensuring the autonomy of the Countries/Banks for specific activities, in order to guarantee increased proximity to the client and faster decision-making processes. Specifically:

- the **Chief Executive Officer (CEO)** maintain a direct supervision on the definition of Group Strategy, Risks Compliance, Human Resources, on the optimization of structure costs and on the main operating activities;
- the **General Manager (GM)** is responsible for all the business activities (Retail, Corporate, Global CIB, Asset Management, Asset Gathering and relevant Countries) focusing on the ongoing

development of clients services aiming to maximize the cross selling and leading the Group digital strategies, as well as defining the new service model of the Bank;

- the **Chief Operating Office (COO)**, position covered by two co-Heads (co-Chief Operating Officers) who lead the oversight of the operational machine with a specific focus on Costs and on IT & Operations; in particular the two co-Heads are respectively responsible for Finance & Cost Management and for IT & Operations, Security and Internal Controls;
- the **CIB Division**, position covered by two co-Heads directly reporting to General Manager, has a coverage role for the multinational customers ("Multinational"), for selected "Large corporate" clients with a strong potential demand for investment banking products, for the Financial and Institutional Groups (FIG) customers and for the Global Lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)", "Markets", and for internationalization activities;
- the **CEE Division** coordinates the Group's activities in the countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area;
- **Group Institutional & Regulatory Affairs** is responsible for developing the relations with institutional counterparts of interest for Group activities and managing the relationship with European Banking Supervisory Authorities (e.g. EBA, ECB) and Banca d'Italia;
- as far as the Italian perimeter is concerned, the **co-Heads Italy**, directly reporting to General Manager, are responsible for the definition of the business strategies of the "commercial banking" and the assignment of such strategies to the territories and to the client segments (Family, First, Business First, Corporate and Private Banking);
- the functions called **Competence Lines** (Internal Audit, Planning, Finance & Administration, Risk Management, Legal, Compliance, Organization and Identity & Communications, Human Resources) oversee the guidance, coordination and control of UniCredit's activities and manage the related risks.

# Company activity

## The commercial network

### Operating structure in Italy

During 2016, UniCredit domestic network was subject to the changes described below:

- closure of **249** branches;
- return of **100** licenses as a result of operating points relocation.

As a result of the above, the structure of the domestic network at December 31, 2016 consisted of a total of **3,505** units, broken down as follows:

- **Commercial banking: 3,330** operating branch offices, of which 786 Districts, 1,155 Branches, 950 District Branches with Sales Manager, 76 District Branches without Sales Manager, 87 Branch Offices without Sales Manager, 106 Detached Branches, 51 retail branches to particular operations, 95 detachments, 17 Operating Branch Offices and 7 Real Estate Areas. On the territory also operates, in coexistence with the structures described above, 131

Corporate Centers, 35 Special Network Corporate Centers, 7 "Foreign Trade Centers" and 37 "Foreign Trade Offices".

The Commercial Bank consisted of 7 Regions, 74 Sales Areas, which in turn were divided into 786 Districts, to which the operating branch offices report;

- **Private Banking: 172** PB Branches, of which 74 Principal Branches and 98 Detached Branches, servicing medium-to-high net worth private customers and providing 360-degree consultancy services and wealth management solutions;
- **CIB: 2** Operational Branches (Rome and Milan) servicing a select group of Italian "Multinational" and "Large Corporate" customers with high investment banking product needs. In the course of 2016 it was also activated **1** CEE CIB Branch in Milan.

At December 31, 2016, following the initiatives described above and a small-scale branch reorganization resulting from the ongoing optimization and streamlining process of organizational units, the Italian distribution network was structured as follows:

### Italian branch network

REGION	NUMBER OF OFFICES AT 12.31.2016	% BREAKDOWN
- Piedmont	370	10.6%
- Valle d'Aosta	17	0.5%
- Lombardy	433	12.4%
- Liguria	61	1.7%
- Trentino Alto Adige	58	1.7%
- Veneto	409	11.7%
- Friuli Venezia Giulia	117	3.3%
- Emilia Romagna	444	12.7%
- Tuscany	145	4.1%
- Umbria	78	2.2%
- Marche	78	2.2%
- Lazio	482	13.8%
- Abruzzo	37	1.1%
- Molise	32	0.9%
- Campania	175	5.0%
- Puglia	132	3.8%
- Basilicata	10	0.3%
- Calabria	25	0.7%
- Sicily	352	10.0%
- Sardinia	50	1.4%
<b>Total branches</b>	<b>3,505</b>	<b>100.0%</b>

# Company activity

In particular, the network of the Commercial Bank is detailed as follows for Region and Commercial Areas:

NETWORK ITALY	COMMERCIAL AREAS	BRANCHES
Region North-West	10	417
Region Lombardia	11	406
Region North-East	11	555
Region Centre-North	14	709
Region Centre	13	574
Region South	8	326
Region Sicily	7	343
<b>Total</b>	<b>74</b>	<b>3.330</b>

and network management for Private Banking Network:

NETWORK ITALY	DIREZIONE NETWORK	BRANCHES
Private Banking Italy Network	PB Nord Ovest	31
	PB Lombardia	25
	PB Nord Est	29
	PB Centro Nord	36
	PB Centro	26
	PB Sud	16
	PB Sicilia	9
<b>Total</b>		<b>172</b>

The structure CIB Italy is articulated as follows:

BUSINESS LINE	DIREZIONE NETWORK/COMMERCIAL COVERAGE COMMERCIALE STRUCTURES	COMMERCIAL AREAS/COMMERCIAL COVERAGE COMMERCIALE STRUCTURES
CIB Italy	FIG Italy and Southern Europe Network	2

On the territory also operates, in coexistence with the structures described above 1 CEE CIB Branch, 7 "Foreign Trade Centers" and 37 "Foreign Trade Offices" dealing with technical-operational

activities linked to international trade (documentary credits, documentary transactions, sureties and guarantees, import-export/gold portfolio) also operate in Italy.

## Branches and representatives abroad

At December 31, 2016 UniCredit S.p.A. had eight Branches

abroad, plus a Permanent Establishment in Vienna and five Representative Offices:

### UniCredit S.p.A. international network as at 12.31.2016

BRANCHES	PERMANENT ESTABLISHMENT	REPRESENTATIVE OFFICES
PRC - Shanghai	AUSTRIA - Wien	BELGIUM - Brussels
PRC - Guangzhou		BRAZIL - Sao Paulo (**)
GERMANY - Munich		PRC - Beijing
GERMANY - Munich (*)		INDIA - Mumbai
UNITED KINGDOM - London		LYBIA - Tripoli
UNITED STATES - New York		
FRANCE - Paris		
SPAIN - Madrid		

(\*) Formerly Branch of UniCredit Family Financing.

(\*\*) Through the subsidiary BAVÁRIA SERVIÇOS DE REPRESENTAÇÃO COMERCIAL LTDA.

Last June 6, 2016 the Board of Directors of UniCredit approved the opening of the Abu Dhabi branch by the first half of 2017.

# Company activity

## Resources

### Personnel developments

At December 31, 2016, UniCredit S.p.A.'s headcount is 42,424 compared to 43,479 at December 31, 2015. The reduction of

resource is mainly due to restructuring plan and to the transfer of assets in other Group Companies.

#### Category

	12.31.2016		12.31.2015		CHANGE	
	TOTAL	OF WHICH: OUTSIDE ITALY	TOTAL	OF WHICH: OUTSIDE ITALY	IN TOTAL	PERCENT
Senior Management	1,016	9	1,224	10	-208	- 17.0%
Management - 3rd and 4th grade	8,414	47	8,456	55	-42	- 0.5%
Management - 1st and 2nd grade	12,826	4	13,217	12	-391	- 3.0%
Other Staff	20,168	14	20,582	11	-414	- 2.0%
<b>Total</b>	<b>42,424</b>	<b>74</b>	<b>43,479</b>	<b>88</b>	<b>-1,055</b>	<b>- 2.4%</b>
<i>of which, Part-time staff</i>	5,498	-	5,544	-	-46	- 0.8%

The composition of the workforce by seniority and by age bracket is shown in the following tables. With respect to educational level, 35% of UniCredit S.p.A. employees have university degrees (mostly in

the areas of economics and banking, or law). Women make up 45.1% of personnel.

#### Breakdown by seniority

	12.31.2016		12.31.2015		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 10	7,200	15.9%	6,895	17.6%	+305	+ 4.4%
From 11 to 20 years	11,046	26.0%	11,283	25.0%	-237	- 2.1%
From 21 to 30 years	12,531	29.2%	12,696	29.8%	-165	- 1.3%
Over 30	11,647	29.0%	12,605	27.6%	-958	- 7.6%
<b>Total</b>	<b>42,424</b>	<b>100.0%</b>	<b>43,479</b>	<b>100.0%</b>	<b>-1,055</b>	<b>- 2.4%</b>

#### Breakdown by age

	12.31.2016		12.31.2015		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 30	1,128	2.7%	1,182	2.8%	-54	- 4.6%
From 31 to 40 years	7,950	20.0%	8,715	22.2%	-765	- 8.8%
From 41 to 50 years	13,834	33.4%	14,543	34.7%	-709	- 4.9%
Over 50	19,512	43.8%	19,039	40.3%	+473	+ 2.5%
<b>Total</b>	<b>42,424</b>	<b>100.0%</b>	<b>43,479</b>	<b>100.0%</b>	<b>-1,055</b>	<b>- 2.4%</b>

With regard to training, managerial growth, union relations, the environment and occupational safety, reference is made to the chapter "Human Capital" in the Integrated Report. This document, published on the institutional website, describes how UniCredit creates sustainable value that has a positive impact on society by supporting the advancement of local communities, the competitiveness of enterprises and the well-being of individuals.

The report has been prepared according to the G4 Sustainability Reporting Guidelines and the Financial Services Sector Disclosures published in May 2013 by the Global Reporting Initiative.



## Report on corporate governance and ownership structure

Within the meaning of Art.123-bis par.3 of the Legislative Decree No.58 dated February 24, 1998, the "Report on corporate governance and ownership structure" is available in the "Governance" section of the UniCredit website (<http://www.unicreditgroup.eu>).

## Report on remuneration

Pursuant to Art.84-quater, paragraph 1, of the Issuers' Regulations implementing the Legislative Decree No.58 of February 24, 1998, the "Report on remuneration" is available on UniCredit's website (<http://www.unicreditgroup.eu>).

## Research and development projects

In 2016 UniCredit S.p.A.'s Research and Development projects were mainly aimed at:

- prototyping a new software for low latency data flow processing such as financial markets data and others from different strategic areas of the bank such as electronic FX;
- providing the CEE Division with a accurate group mapping tool on corporate customers based on structured and unstructured internal and external data sources;
- supporting NPL initiatives creating a DB of millions of PDF documents scanned, read and indexed by the machines with a huge impact in term of automation;
- allowing, in the Media Relation environment, the press to register and use any press release with the possibility to choose among different categories both at thematic and geographical level;
- promoting the Open Source adoption - through Github and committing to existing projects;
- strengthening industrial and academic partnerships enabling the development of long-term solutions for UniCredit, as well as developing new network in the scientific environment.

## Group activities development operations and other corporate transactions

During 2016, UniCredit pursued new initiatives, in line with the multi-year plan strategies, on one hand focused on the development of digitization and innovation activities, and on the other hand starting a reorganization project of the CEE Division activities. In addition, there have been further operations regarding the Group's shareholding portfolio.

## Initiatives deemed to sustain new Strategic Plan

### Accelerated bookbuilding of 10% of FinecoBank shares

On July 11 2016, UniCredit announced the launch of a placement of ordinary shares in its subsidiary, FinecoBank S.p.A. representing to 10% of the Fineco existing share capital. On July 12 2016, a successful completion of the operation has been announced, following a placement to institutional investors of approximately No.60,7 million of ordinary shares in FinecoBank S.p.A. (equal to 10% of the Fineco's issued share capital) for a total gross proceeds of approximately €328 million.

The price represents a discount of approximately 6% to the last pre-announcement closing price of FinecoBank. The transaction results in a gain of €217 million, gross of tax, recognized in UniCredit S.p.A. separate financial statements.

### Accelerated bookbuilding of 10% of Bank Pekao shares

On July 12 2016, Unicredit announced the launch and a successful completion of the accelerated bookbuilding offering for the a placement to institutional investors of approximately 26,2 million of ordinary shares in Bank Pekao S.A, equal to approximately 10% of the Pekao's issued share capital at a price of 126 PLN per share. Gross proceeds raised by UniCredit from the Placement amounted to approximately PLN 3.3 billion (equal to approximately €749 million).

The price represents a discount of approximately 6% to the last pre-announcement closing price of Pekao. The transaction results in a gain of about €1 million, net of transaction fees, recognized in UniCredit S.p.A. separate financial statements.

After the completion of the placement, the shareholding of UniCredit S.p.A. in Bank Pekao S.A. is 40.1% of its share capital.

### Accelerated bookbuilding of 20% of FinecoBank shares

On October 12 2016, UniCredit announced the launch of a placement of ordinary shares in its subsidiary, FinecoBank S.p.A. representing up to 20% of the Fineco existing share capital.

On October 13 2016, a successful completion of the operation has been announced, following a placement to institutional investors of approximately 121,4 million of ordinary shares in FinecoBank S.p.A. (equal to 20% of the Fineco's issued share capital) for a total gross proceeds of approximately €552 million.

The price represents a discount of approximately 5% to the last pre-announcement closing price of FinecoBank. The transaction results in a gain of €326 million, gross of tax, recognized in UniCredit S.p.A. separate financial statements.

After completion of the Placement, UniCredit S.p.A. continues to control and consolidate the Company with a shareholding of c.a.

## Other information

35%, hence leveraging on FinecoBank's distinctive capabilities and know-how and supporting its liquidity investment policy. UniCredit has agreed to a 360 days lockup period from the closing of the Placement with respect to sales of any remaining shares it holds in FinecoBank. No additional sales of shares of FinecoBank will be made by UniCredit during the lock-up period without the consent of UBS Limited on behalf of the Joint Bookrunners.

### Bank Pekao

On the December 8, UniCredit announced it has entered into an agreement for the disposal of a 32.8% stake in Bank Pekao S.A. to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polish Development Fund S.A. ("PFR").

The agreed purchase price for the disposal of such stake is equal to PLN 123 per share, or PLN 10.6 billion for the shareholding sold (equivalent to ca. Euro 2.4 billion with an exchange rate as of December 8, 2016) and is equivalent to a price to book value multiple of 1.42x based on September 30, 2016 accounts. The Transaction is subject to the customary regulatory and antitrust approvals and is expected to be completed around mid-2017.

In order to complete the disposal of its entire stake in Bank Pekao, on the same date, UniCredit has launched a market transaction with respect to the remaining 7.3% of Pekao's share capital issuing a mandatorily-settled secured equity linked certificates and allowing UniCredit to benefit from the potential upside in the shares of Pekao resulting from the additional value which PZU and PFR may be able to generate following the completion of the acquisition.

In addition, UniCredit has agreed with PZU and PFR the transfer of further investments in Polish companies held by other Group's entities: Pioneer Pekao Investment Management S.A., Pekao Pioneer PTE S.A. and Dom Inwestycyjny Xelion Sp. Z.o.o., for an overall price of PLN 634 million (approximately Euro 142 million with exchange rate as of December 8, 2016).

In line with the prospected disposal of Bank Pekao S.A. and pursuant to IFRS5, as at December 31, 2016 this shareholding was transferred to "Non-current assets and disposal groups classified as held for sale" - item 140 (Assets).

### Pioneer Investments

On July 27, 2016, UniCredit announced that it has agreed with Banco Santander S.A. and Sherbrooke Acquisition Corp SPC to terminate the agreements entered into on November 11, 2015 relating to the business combination of Pioneer Investments and Santander Asset Management (the "Transaction").

The parties held detailed discussions to identify viable solutions to meet all regulatory requirements to complete the transaction, but in the absence of any workable solution within a reasonable time horizon, the parties have concluded that ending the talks was the most appropriate course of action.

On December 5, 2016 UniCredit and Amundi announced that they have entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi.

On December 12, 2016 UniCredit successfully signed a binding agreement with Amundi for the sale of Pioneer: the purchase price paid by Amundi will be €3,545 million and in addition UniCredit will receive a €315 million pre-transaction extraordinary dividend to be distributed by Pioneer. The considerations excludes the Pioneer operations in Poland.

As part of the transaction, UniCredit and Amundi will form a strategic partnership for the distribution of asset management products underpinned by a 10-year distribution agreement for Italy, Germany and Austria. UniCredit will re-focus on its distribution business model while retaining exposure to the commission income generated from the distribution of asset management products.

The transaction, which has been approved by the Boards of Directors of UniCredit, Pioneer and Amundi, is subject to customary closing conditions, regulatory and antitrust approvals. The transaction is expected to close in the first half of 2017.

In line with the prospected disposal of Pioneer, global asset management company in 28 countries, controlled by Pioneer Global Asset Management S.p.A., wholly controlled by UniCredit S.p.A., pursuant to IFRS5, as at December 31, 2016 the shareholding in Pioneer Global Asset Management S.p.A. was transferred to "Non-current assets and disposal groups classified as held for sale" - item 140 (Assets).

### FINO Project

The "Project FINO" aims to dispose of the "non-core" assets of UniCredit Group through a market transaction. The project covers a set of credit exposures classified as non-performing, referring to various sectors, collected within a portfolio called "FINO portfolio". In December 2016, UniCredit S.p.A. signed two Framework Agreements with two separate third-party Investors, designed to define the characteristics of two (or more) proposed securitization transactions (expected to be finalized in July 2017), out of a set of loans classified as non-performing as of June 30, 2016 for a nominal gross value of €17,700 million euros, making up the FINO portfolio. The Framework Agreements (and the associated documentation) describe the overall structure of the relationships with third party investors and outline, individually, the structure of the two phases of the Project, also setting the selling price for the various sub-portfolios involved, according to their characteristics and peculiarities.

On February 1, 2017, the Board of Directors of the Bank approved the FINO Project according to the features and content outlined in the Framework Agreements (and the attached documentation), and authorized the Directors to put in place the necessary steps to ensure its completion.

Pursuant to IFRS5, the credit exposures belonging to the FINO Portfolio (amounting to gross €17,045 million and with a net book value of €2,209 million as at December 31, 2016) are recognized in item "150. Non-current assets and disposal groups classified as held for sale", in view of the Group intention to gradually dispose of the entire portfolio within 12 months. For a more complete disclosure on the FINO Project (and its accounting treatment), please refer to Part E- Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)".

## Rationalization and business development initiatives

### Digitization and innovation plan

As part of the digitization and innovation plan that calls for an acceleration of the digital transformation of the multichannel retail bank and the building of the future digital business model, during 2016, UniCredit continued to carry out activities to implement innovative projects aimed at leading, on the one hand, to the supply of banking services, designed in particular to meet the more technological needs of the market (for example using smartphone and other mobile devices) and, on the other hand, to identify the best investment opportunities both in already consolidated fintech companies and in new start-ups through a partnership (called UniCredit EVO) with Anthemis Group (investment and advisory firm focused on re-inventing financial services).

Through this investment, UniCredit has the opportunity to scout for new fintech solutions, to be then used to innovate the Group's banking business. As of December, 31 2016 the UniCredit EVO fund has already made some investments in companies based in the US and in the UK, for a total amount of 25.6 million and, being an entity controlled by UniCredit S.p.A., it belongs to the consolidation perimeter. UniCredit is also lead investor, with EIF, in the fund Anthemis Venture Fund I, dedicated to investments in the fintech sector in new start-ups, both in the US and Europe.

### Reorganization of the CEE Division activities

The transfer of the CEE Division, including the shareholdings of CEE subsidiaries, from UniCredit Bank Austria AG to UniCredit S.p.A. has been successfully completed on September 30, 2016 following the registration of the demerger of the CEE Division from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH (an Austrian NewCo wholly owned by UniCredit S.p.A) and the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A., having all regulatory approvals been granted.

The transaction was completed with legal validity from October 1, 2016 and accounting effects retroactive from January, 1 2016.

From the accounting relating to this transaction derived a significant negative effect upon individual net equity of UniCredit S.p.A. to cover through use of available reserves.

Such reorganization will allow to simplify the structure and strengthen the central steering functions under the direct supervision of the Group's General Manager, in line with the streamlining of the organizational structure announced on July 26, while preserving the existing know-how and customers' relationships. The CEE Division is a core asset of the UniCredit group and is expected to remain a core engine of growth, by leveraging on its exposure to the most dynamic European markets and by enhancing the synergies with the other divisions, while increasing the Group's flexibility in allocating capital, funding and liquidity across the regions thanks to the new corporate structure.

The management team of CEE Division will continue to be led by the Head of CEE Division, who will be supported by the following business heads: Head of CEE CIB, Head of CEE Retail and Head of CEE Private Banking. The majority of the team will continue to be located in Vienna.

### Cordusio SIM - company of Wealth Management Group

The Group, as disclosed in the Report on Operations of 2015 UniCredit S.p.A. 2015 Reports and Accounts, has decided to strengthen its presence in Wealth Management in Italy, using a dedicated company, located in Cordusio SIM S.p.A. controlled, to offer all the services of consulting and investment management for customers with more than 5 million financial assets (Ultra High wealth Individuals Network, below UHNWI).

In this context, last November it took effect the transfer of the business unit UHNWI of UniCredit in favor of Cordusio SIM S.p.A. By virtue of that transfer, Cordusio, in addition to consultancy services in the field of investments, take place the following investment services referred to in Art. 1, paragraph 5, of Legislative Decree 24 February 1998 No.58: placement without firm or standby commitment to issuers, portfolio management and reception/transmission of orders.

Cordusio SIM S.p.A., which currently manages assets of over 23 billion with significant growth targets for the next three years, will continue to perform corporate advisory services, in collaboration with UniCredit Corporate and Investment Banking division, and advice even in areas not strictly financial, such as real-estate, art and collectibles, generational transitions, asset protection and philanthropy.

## Other information

### IDEA Corporate Credit Recovery

In June 2016, UniCredit, together with other banks reached an agreement for the transfer of their exposure related to a selected number of companies with loan exposures being restructured in the Credit Department of the fund IDEA Corporate Credit Recovery I (the "Fund"), managed by IDEA Capital Sgr, receiving units of the Fund in exchange.

The initiative represents an alternative route for recovering problem loans, the objective of which is to relaunch Italian SMEs in a state of financial tension, leveraging proactive managerial abilities and the injection of new finance by new investors, as well as a new ownership structure. The benefits brought will be shared by the original lending institutions and by the new investors.

As the conditions provided for in IAS39 for derecognition were fulfilled, this transfer entailed derecognition of the receivables from the UniCredit S.p.A. financial statements for a gross original amount of about €90 million, making a capital gain on disposal of approximately €26 million.

### Platform for managing Non-Performing loans with Intesa Sanpaolo and KKR

During July 2016 an agreement was reached between Pillarstone, UniCredit S.p.A, Intesa Sanpaolo and Banca Carige for the transfer of their exposure in receivables related to Premuda.

In execution of the agreement with KKR (see Report on Operations of UniCredit S.p.A. 2015 Reports and Accounts), UniCredit S.p.A. securitised through the vehicle Pillarstone Italy SPV S.r.l. (set up under the terms of Italian Law 130/99) the exposure in relation to the Premuda group for a total nominal amount of €98 million. As for the previous transfers, as the conditions provided for in IAS39 for derecognition were not fulfilled, this transfer did not entail derecognition of the receivables and, therefore, the same continue to be recognised in the UniCredit S.p.A. financial statements.

### Cards Processing

On August 3, UniCredit announced that its global services company, UniCredit Business Integrated Solutions ("UBIS"), and SIA have signed a framework agreement for the sale of UBIS's card processing activities in Italy, Germany and Austria for an aggregate consideration of €500 million in cash. At the same time the Group has agreed to enter into a ten year outsourcing contract with SIA for the provision of card processing services, allowing UniCredit group to retain access to the same high quality standard of service whilst exiting a non-core activity. The transaction has been finalized on December 23, 2016.

### Sale of an Italian SME Non-Performing credit portfolio

On September 8, UniCredit reached an agreement with Balbec Asset Management ("Balbec") in relation to the disposal on a non-recourse basis (pro-soluto) of a Non-Performing unsecured Italian SME loans credit portfolio.

The portfolio consists entirely of Italian loans with a gross book value of approximately €570 million.

The sale is part of UniCredit's on-going activities to sell non-core assets and strengthen Group's credit profile.

### Sale of a Non-Performing credit portfolio

During October 2016 UniCredit reached an agreement with Kruk Group ("Kruk") in relation to the disposal on non-recourse basis (pro-soluto) of a Non-Performing credit portfolio, mainly private individuals claims and residually corporate claims towards small/medium entities, originated by different banks time by time incorporated into UniCredit Group.

The portfolio consists entirely of Italian loans with a gross book value of about €940 million.

The sale is part of UniCredit's on-going activities to sell non-core assets and strengthen its credit profile.

### The agreement between UniCredit, Pimco, GWM and Finance Roma to manage a real estate credit portfolio

On December 9, 2016 the agreement that defines the platform's functioning to manage a real estate credit portfolio has in fact been signed through the partnership between UniCredit S.p.A., Pimco (global asset manager), GWM (real estate specialist) and Finance Roma (real estate loan management specialist).

It envisages the investors taking on the portfolio management - through their subsidiary Aurora Recovery Capital (AREC) - with the aim of enhancing efficiency in managing medium to long term real estate loans part of a selected portfolio totaling €1.3 billion.

The platform aims at increasing the future value of the pool through the proactive management of the underlying assets, the implementation of innovative solutions and, when necessary new funding.

Loans and the related underlying assets owned by more than 40 customers, in different development phases, from green field to finished assets, will be part of the pool.

The agreement envisages the establishing of both a securitization vehicle (SPV) and a management company that will have the objective to extract higher value from the assets underlying the selected and transferred portfolio.

The transfer of the loans to the SPV is envisaged to take place in two waves: the first one occurred on December 12, 2016 and regarded an amount of loans to customers of about gross €863 million.

As at December 31, 2016 the transaction has not resulted in the write-off of the loans from the financial statement of UniCredit S.p.A., since the derecognition requirements pursuant to IAS39 had not been fulfilled.

## Other transactions and initiatives involving shareholdings

### Disposal to Visa Inc. of the shareholding in Visa Europe

In June, UniCredit sold own VISA Europe shares (representing 0.033% of the share capital) to VISA Inc.

The consideration for the sale comprises around €46.8 million in cash and 16,977 class C preferred shares of VISA Inc., unlisted and convertible into listed class A shares, valued at around €13.6 million in total, plus a three-year-deferred cash payment of around 4 million (including interest).

The sale generated a gross capital gain of €64 million for the UniCredit's income statement.

### Exchange of shareholding in ERG Renew

Last October UniCredit finalized the barter of the entire stake (7.14%) held in ERG Renew S.p.A. (renewable energy sector) with a stake of 4.00% of ERG S.p.A. (listed at MTA) which generated a consolidated capital gain of €9.6 million; in the context of the operation UniCredit has taken on a commitment not to sell the shares received for a period of six months.

### Disposal of PJSC UkrSotsbank to Alfa Group

Following the reception of the relevant regulatory approvals, on October 31 2016 UniCredit completed the sale of a 99.9% stake in PJSC UkrSotsbank to Alfa Group. The economic effects of the agreement were already substantially included in the 2015 results. The terms and conditions of the transaction remained unchanged to the ones published on institutional web-site with the press release issued on January 11, 2016, leading to the acquisition of newly issued shares of ABH Holding SA ("ABHH" a privately owned Luxembourg-based holding company investing into several banking activities in the CIS) representing 9.9% stake of ABHH post-transaction.

### Contribution to Funds Atlante and Atlante II

Atlante is an Italian closed-end alternative investment fund, reserved for institutional investors ("Atlante Fund") and managed by Quaestio Capital Management SGR S.p.A ("Questio SGR"). Total funds at the inception were €4.2 billion of which Unicredit contributed with a stake of 19.9%.

The Fund is aimed at investing in Italian banks rights issues and supporting disposals of NPLs. In particular, Atlante Fund is aimed at (i) ensuring successful execution of capital increases of troubled Italian banks, acting as a back stop facility; (ii) sorting out issues with NPLs by investing in junior and mezzanine tranches of related securitization trying to facilitate the revamp of the Italian NPLs market.

As at December 31, 2016, UniCredit has been holding No.845 shares of Atlante Fund (out of 4,249 total shares) with a carrying value of €139 million (amount equal to the shares already paid for €686 million net of the impairment of €547 million), classified as financial assets available for sale, and a residual commitment to invest €159 million.

In August 2016 Atlante II ("Atlante II") was established: an alternative closed-end investment fund reserved for institutional investors and managed by Quaestio SGR as well. Atlante II Fund, is allowed to invest into NPLs and other instruments related to NPLs transactions only (e.g. Warrants) aiming at reducing the risk, in line with institutional investors criteria. Atlante II will invest in junior and mezzanine notes issued by SPVs of NPL securitizations from Italian banks (expected profitability in line with single B bonds).

UniCredit has subscribed No.155 shares for a total consideration of €155 million of which €1.1 million effectively paid on December 31, 2016. As of December 31, 2016, total funds of Atlante II were €2.155 billion (UniCredit stake 7.2).

## Other information

### Conversion of tax credit

Owing to the Balance Sheet loss booked in UniCredit S.p.A. 2015 Income Statements for €1,441.4 (in this regard the effects of the reclassified data relating to the transfer of "CEE business" from UniCredit Bank Austria AG to UniCredit S.p.A. for an homogenous comparison are not relevant), the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits, pursuant Article 2, paragraph 55, of Decree Law 29 December 2010 No.225, were met.

The conversion was carried out for an amount of €341.4 million.

In order to preserve the future regime of conversion of DTA into tax credits and to overcome the issues raised by the European Commission in connection to the application of potential State Aid rules, as per Article 11 of Law Decree No.59 of May 3, 2016 (i.e. "Banks Decree", converted into Law June 30, 2016 No.119), starting from current year and until 2029, the possibility to opt for the payment of an annual commission to the extent of 1.5% of an aggregate amount was introduced, deriving from the difference between:

- the increase in convertible DTA recorded in current Balance Sheet, including the amounts already converted into tax credits, and convertible DTA recorded at 2007 for IRES and with reference at 2012 financial year for IRAP;
- taxes:
  - IRES paid by Tax Group starting from January 1, 2008;
  - IRAP paid by Legal Entities included in Tax Group with convertible registered DTA entered in the books as from January 1, 2013;
  - substitute taxes that generated convertible DTA.

In 2016 an estimated amount of €243.2 million has been recognized, which includes the fee due for the year 2015, paid in July 2016, and an estimation of the fee due for year 2016.

On February 17, 2017, upon conversion into law of the Decree "salva-risparmio" (Law Decree of December 23, 2016, No.237), amendments to the article 11 of the Law Decree 59/2016 has been introduced, among which the one year postponement for the DTA fee payment period from 2015-2029 to 2016-2030.

Please note that these amendments has been considered as "non-adjusting events" as, on December 31, 2016, the preconditions of "virtual certainty" and "substantively enactment" required by the international accounting standards in order to recognize in 2016 financial statements the effect of these amendments where not fulfilled.

## Transactions with related parties

The table below shows the assets, liabilities, guarantees and commitments outstanding as at December 31, 2016, in respect of

direct and indirect subsidiaries, companies subject to joint control, companies subject to significant influence and other related parties.

(€ million)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS
Subsidiaries	31,694	42,088	14,118
Joint Ventures	2,028	59	1,608
Associates	1,050	478	117
Key Management Personnel	1	6	-
Other related parties	104	199	45
<b>Total</b>	<b>34,877</b>	<b>42,830</b>	<b>15,888</b>

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

a) according to the "Global policy for the management of transactions with persons in conflict of interest" adopted by the Board of Directors of UniCredit S.p.A. on March 10, 2016, and published on the website [www.unicreditgroup.eu](http://www.unicreditgroup.eu), during 2016 Bank's Presidio Unico received a report of four transactions of greater importance all ended in the period. Specific disclosure of one of these transactions was provided to Consob;

b) during 2016, no transactions with related parties as defined by Article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions and materially affecting the Group's financial and economic situation;

c) during 2016, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group's financial position or results during the reference period.

For more information on related-party transactions please refer to the Notes to the Accounts - Part H.

## Information on risks

For a full description of the risks and uncertainties that the Bank must face under current market conditions, reference is made to the appropriate section in the Notes to the Financial Statements.

## Information on the time limits for convening the ordinary Shareholders' Meeting

Pursuant to Art.2364, paragraph 2, of the Civil Code and Art.8, paragraph 1, of UniCredit's Articles of Association, the draft Accounts will be submitted to the Ordinary Shareholders' Meeting for approval within 180 days from the end of the financial year, since the Company is required to prepare the consolidated financial statements.

# Subsequent Events and Outlook

## Subsequent Events<sup>(7)</sup>

On January 12, 2017, the shareholders' Meeting approved a share capital increase completed on March 2, 2017.

Following completion of the operation the new fully subscribed and paid-up share capital of UniCredit S.p.A. amounts to €20.862.962.205,11 and is divided into No.2.224.911.123 shares with no nominal value, in turn made up of No.2.224.658.634 ordinary shares and No.252.489 savings shares.

See paragraph "Capital Strengthening" of this Report on Operations further details.

On February 4, 2017 UniCredit announced it has reached an agreement with the Italian Trade Unions related to the announced Italian 3,900 FTEs redundancies part of the "Transform 2019" plan. The redundancy program in Italy consists of a voluntary pre-retirement plan through the access to the Financial sector Solidarity Fund. To ensure a positive generational turnover the Group is committed to hire 1,300 people over the next 3 years.

On February 17, 2017, upon conversion into law of the Decree "salva-risparmio" (Law Decree of December 23, 2016, No.237), amendments to the article 11 of the Law Decree 59/2016 has been introduced, among which the one year postponement for the DTA fee payment period from 2015-2029 to 2016-2030; see paragraph "Conversion of DTAs into tax credit" in chapter "Other information" of this Report on Operations for further details.

(7) Up to the date of approval by the Board of Directors' Meeting of March 13, 2017.



## Outlook

In the second half of 2016, the global recovery continued at the annualized pace of 3%, in front of a lot of variations in economic performance across regions. The recovery in advanced economies accelerated more than expected, supported by a pickup in manufacturing activity and a reduced drag from inventories. In Japan some statistical revisions pointed to a more decent performance than previously expected, while both the US and the UK economy held up their recovery at a steady pace, despite the Brexit shock. Trump's fiscal plan, as outlined during his electoral campaign, could add stimulus for the American economy during the second half 2017 and into 2018, while in the UK the economic performance will be largely impacted by the confidence effects generated by the unfolding of the Brexit negotiations. In the emerging markets, the picture was more variegated. The Chinese economy, which continued to be boosted by an expansionary fiscal policy and fast credit growth, grew at about 6.5%. GDP growth remains consistent with a soft landing scenario, but the excessively high stock of corporate debt represents the main systemic risk, if it is not properly addressed. Economic activity, instead, was weaker than expected in some Latin American countries currently in recession, such as Argentina and Brazil, as well as in Turkey that has struggled to regain investors' confidence in the aftermath of the failed coup of last summer. In Russia the recovery was slightly stronger than expected thanks to a rebound in oil prices.

In the euro area, the recovery remains overall moderate. Despite Brexit and ongoing weakness in global trade, business and household confidence in the euro area has remained stable. In the second half of 2016, GDP likely grew at about 1.6% annualized and the most recent leading indicators suggest that both domestic and external demand supported the expansion at the end of the year. This marks the second consecutive year of above-trend growth. The negative point is that this recovery phase remains weak by historical standards. We think 2017 will show a continuation of this moderate recovery, mostly driven by the low interest rates and a pickup in global trade. Italy's economic activity is expected to reach the 0.9% in 2016. In the latter part of 2016, encouraging news came from business survey indicators and industrial production data, all pointing to an improvement in industrial activity, driven by a recovery in demand from abroad.

Milan - March 13, 2017

CHAIRMAN  
GIUSEPPE VITA



THE BOARD OF DIRECTORS

CEO  
JEAN PIERRE MUSTIER



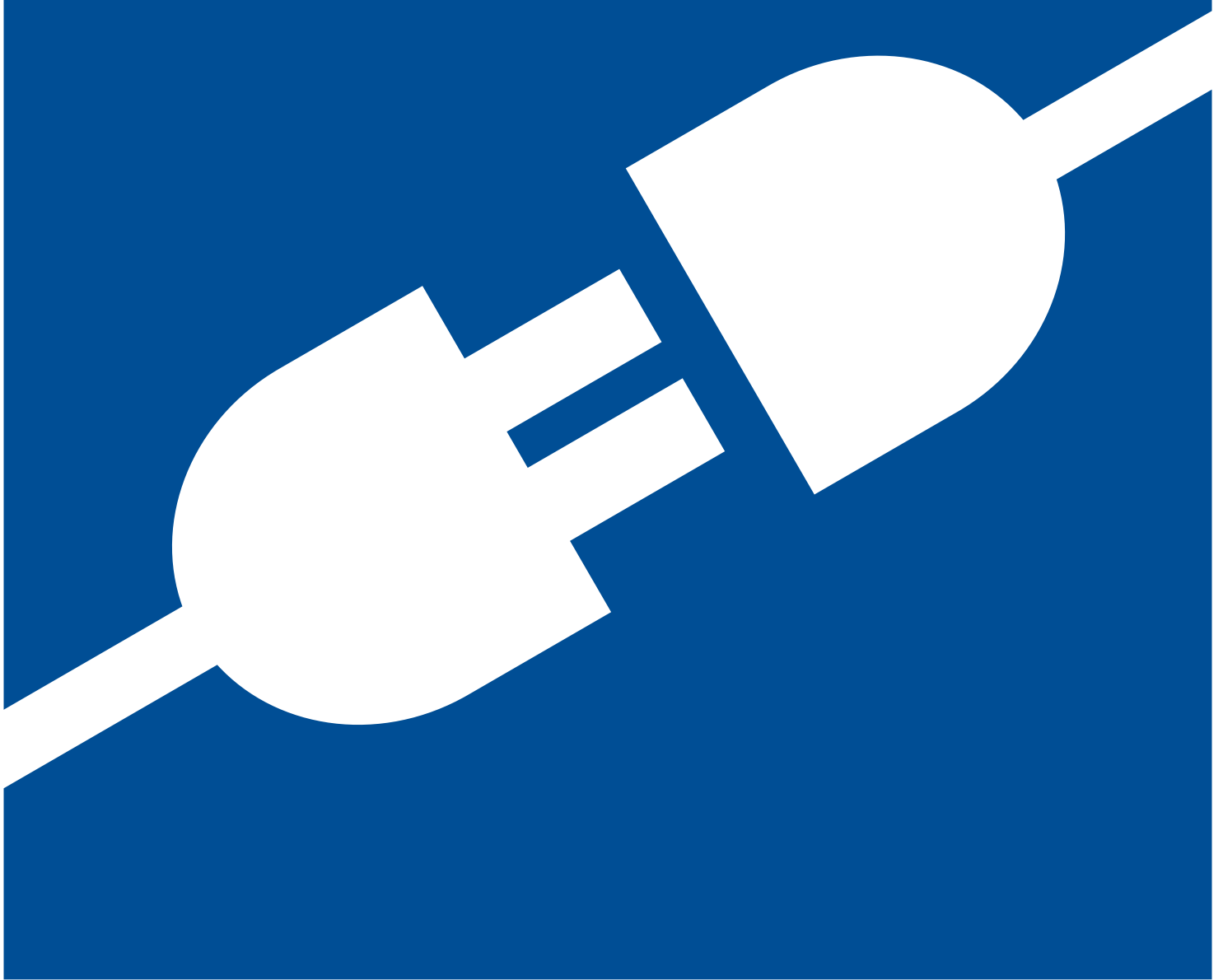
A steady economic recovery is likely to continue in 2017 (with GDP growth of 0.8%), although the expansion's pace is expected to remain modest.

In particular, private consumption and fixed investments will continue to support growth, with the recovery in fixed investment expected to be mainly driven by an acceleration in machinery and equipment investments. The latter is expected to benefit from a strengthening of fiscal incentives for equipment and innovation introduced in 2016 and a cut in the corporate tax rate, in addition to the support coming from favorable financing conditions for companies. Lending to the private sector picked up modestly at the end of 2016, mainly driven by the increasing demand for credit coming from both firms and, above all, households.

Inflationary pressures are gaining traction. In December, euro area's inflation rate reached 1.1%, mostly driven by the jump in oil prices triggered by OPEC's agreement signed in November. The path for core inflation warrants special attention, given there are virtually no signs of improvement from the cyclical lows touched in early-2015. Three main factors explain the flat trajectory in core prices so far: 1. the lack of responsiveness of wage growth to the improving labor market outlook, which has exerted downward pressure on services prices; 2. subdued import price dynamics, and 3. second-round effects from the past drop in the price of oil and other commodities. In its December meeting, the ECB decided to extend its asset purchases from March 2017 until December 2017, but – and this is the main news – at a reduced pace of €60 billion per month.

During the year 2017, the Group should benefit of a general, albeit limited, recovery in economic cycle, even though the level of interest rates remains extraordinarily low, consequently affecting the net interest income dynamic. Moreover, the Group will leverage on the initiatives envisaged in 2016-2019 Multi-Year Plan "Transform 2019", reported to the market on December 2016, aiming at keeping a sustainable level of profitability over time. More specifically, in line with what envisaged in the Plan, the Group aims to significantly strengthen the capital together with an improvement in asset quality and to transform the governance and operating model, maximizing the commercial bank value, the cross selling and keeping an increasingly more efficient cost structure.

# Cooperation & Synergies



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

# Proposal to Shareholders' Meeting

For the proposals to Shareholders' Meeting refer to specific Board of Directors' report in relation to:

- elimination of the so-called "negative reserves" for components not subject to change by means of their definitive coverage;
- allocation of the 2016 result of the year.

# Risk Management

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

# Company Financial Statements

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In addition to what has already been specified in the Notes at the bottom of the Contents, please note that:

- "X" indicates an item not to be completed (under Banca d'Italia instructions);
- unless otherwise indicated, all amounts are in **thousands of euros**.



# Company Accounts

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## Balance Sheet

## Balance Sheet

(€)

BALANCE SHEET - ASSETS	AMOUNTS AS AT	
	12.31.2016	12.31.2015
10. Cash and cash balances	1,851,831,592	2,460,123,105
20. Financial assets held for trading	14,026,392,902	13,720,643,922
30. Financial assets at fair value through profit or loss	159,281,093	338,295,453
40. Available-for-sale financial assets	64,524,983,542	65,424,747,740
50. Held-to-maturity investments	755,170,856	751,807,953
60. Loans and receivables with banks	22,349,104,335	22,062,498,699
70. Loans and receivables with customers	213,236,760,033	215,174,711,235
80. Hedging derivatives	6,095,890,529	6,405,356,900
90. Changes in fair value of portfolio hedged items (+/-)	2,063,730,158	2,309,155,751
100. Equity investments	42,935,070,306	45,847,175,443
110. Property, plant and equipment	2,340,731,470	2,405,407,416
120. Intangible assets	4,767,982	5,509,461
<i>of which: - goodwill</i>	-	-
130. Tax assets	12,004,612,417	12,554,411,647
<i>a) current tax assets</i>	690,461,588	805,803,481
<i>b) deferred tax assets</i>	11,314,150,829	11,748,608,166
<i>of which for purposes of L. 214/2011</i>	11,017,399,321	11,354,076,328
140. Non-current assets and disposal groups classified as held for sale	7,438,960,722	238,358,640
150. Other assets	4,400,260,612	4,674,078,440
<b>Total assets</b>	<b>394,187,548,549</b>	<b>394,372,281,805</b>

(€)

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT	
	12.31.2016	12.31.2015
10. Deposits from banks	44,380,507,337	37,466,490,120
20. Deposits from customers	196,520,934,143	181,573,565,455
30. Debt securities in issue	83,126,804,986	97,311,533,237
40. Financial liabilities held for trading	14,557,036,155	10,671,552,238
50. Financial liabilities at fair value through profit or loss	2,102,895,434	-
60. Hedging derivatives	6,126,875,303	6,629,618,425
70. Changes in fair value of portfolio hedged items (+/-)	2,793,198,258	3,039,174,156
80. Tax liabilities	161,734,393	152,030,669
<i>a) current tax liabilities</i>	161,734,393	142,239,520
<i>b) deferred tax liabilities</i>	-	9,791,149
90. Liabilities included in disposal groups classified as held for sale	2,543,623	-
100. Other liabilities	7,290,729,752	7,373,932,982
110. Provision for employee severance pay	1,019,712,831	1,028,374,419
120. Provisions for risks and charges	3,407,328,188	2,601,453,029
<i>a) post retirement benefit obligations</i>	373,189,449	735,894,822
<i>b) other provisions</i>	3,034,138,739	1,865,558,207
130. Revaluation reserves	716,180,292	1,092,027,055
150. Equity instruments	2,383,463,450	1,888,463,450
160. Reserves	5,828,365,938	8,753,683,190
170. Share premium	14,384,917,645	15,976,604,463
180. Share capital	20,846,893,437	20,257,667,512
190. Treasury shares (-)	(2,440,001)	(2,440,001)
200. Net profit (loss) for the year (+/-)	(11,460,132,615)	(1,441,448,594)
<b>Total liabilities and Shareholders' Equity</b>	<b>394,187,548,549</b>	<b>394,372,281,805</b>

At December 31, 2016 were accounted under "140. Non-current assets and disposal groups classified as held for sale" non-performing exposures with customers, part of the so-called "FINO Portfolio" and the investments in Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and Dom Inwestycyjny Xelion Sp. Z.o.o.



# Income Statement/Statement of Comprehensive Income

## Income Statement

(€)

ITEMS	YEAR	
	2016	2015
10. Interest income and similar revenues	6,227,564,569	7,287,626,938
20. Interest expenses and similar charges	(2,534,028,520)	(3,252,384,982)
<b>30. Net interest margin</b>	<b>3,693,536,049</b>	<b>4,035,241,956</b>
40. Fees and commissions income	4,082,085,681	4,205,454,685
50. Fees and commissions expense	(386,232,325)	(368,170,617)
<b>60. Net fees and commissions</b>	<b>3,695,853,356</b>	<b>3,837,284,068</b>
70. Dividend income and similar revenue	1,172,564,470	1,475,529,410
80. Gains (Losses) on financial assets and liabilities held for trading	140,661,348	194,509,003
90. Fair value adjustments in hedge accounting	(2,746,530)	7,386,379
100. Gains (Losses) on disposal and repurchase of:	308,540,278	204,918,442
a) loans	4,155,093	(25,867,903)
b) available-for-sale financial assets	294,892,812	246,497,724
c) held-to-maturity investments	-	(2)
d) financial liabilities	9,492,373	(15,711,377)
110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss	(82,520,090)	13,161,224
<b>120. Operating income</b>	<b>8,925,888,881</b>	<b>9,768,030,482</b>
130. Net losses/recoveries on impairment:	(10,933,079,438)	(2,667,654,568)
a) loans	(9,996,114,908)	(2,593,265,051)
b) available-for-sale financial assets	(684,693,146)	(41,124,605)
c) held-to-maturity investments	-	-
d) other financial assets	(252,271,384)	(33,264,912)
<b>140. Net profit from financial activities</b>	<b>(2,007,190,557)</b>	<b>7,100,375,914</b>
150. Administrative costs:	(8,063,505,949)	(6,949,656,706)
a) staff expense	(4,460,811,206)	(3,810,497,955)
b) other administrative expense	(3,602,694,743)	(3,139,158,751)
160. Net provisions for risk and charges	(886,126,028)	(298,586,948)
170. Impairment/write-backs on property, plant and equipment	(182,903,066)	(129,068,119)
180. Impairment/write-backs on intangible assets	(2,128,099)	(1,103,465)
190. Other net operating income	588,485,886	527,007,770
<b>200. Operating costs</b>	<b>(8,546,177,256)</b>	<b>(6,851,407,468)</b>
210. Profit (loss) of investments	(729,975,284)	(1,998,575,823)
230. Impairment of goodwill	-	-
240. Gains (Losses) on disposal of investments	21,637,588	33,655,491
<b>250. Total profit (loss) before tax from continuing operations</b>	<b>(11,261,705,509)</b>	<b>(1,715,951,886)</b>
260. Tax expense (income) related to profit or loss from continuing operations	(198,427,106)	274,503,292
<b>270. Total profit (loss) after tax from continuing operations</b>	<b>(11,460,132,615)</b>	<b>(1,441,448,594)</b>
<b>290. Net profit (loss) for the year</b>	<b>(11,460,132,615)</b>	<b>(1,441,448,594)</b>

## Statement of Comprehensive Income

(€)

ITEMS	YEAR	
	2016	2015
<b>10. Net profit (loss) for the year</b>	<b>(11,460,132,615)</b>	<b>(1,441,448,594)</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>		
20. Property, plant and equipment	-	-
30. Intangible assets	-	-
40. Defined benefit plans	10,648,855	46,265,150
50. Non-current assets classified as held for sale	-	-
60. Portion of revaluation reserves from investments valued at equity	-	-
<b>Other comprehensive income after tax that may be reclassified to profit or loss</b>		
70. Hedges of foreign investments	-	-
80. Exchange differences	-	-
90. Cash flow hedges	(118,696,132)	(117,663,209)
100. Available-for-sale financial assets	(272,055,017)	162,348,412
110. Non-current assets classified as held for sale	-	-
120. Valuation reserves from investments accounted for using the equity method	-	-
<b>130. Total other comprehensive income after tax</b>	<b>(380,102,294)</b>	<b>90,950,353</b>
<b>140. Comprehensive income after tax (Item 10+130)</b>	<b>(11,840,234,909)</b>	<b>(1,350,498,241)</b>

## Statement of changes in Shareholders' Equity

Statement of changes in Shareholders' Equity as at December 31, 2016

(€)

	BALANCE AS AT 12.31.2015	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2016	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES DURING THE YEAR							SHAREHOLDERS' EQUITY AS AT 12.31.2016	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS					COMPREHENSIVE INCOME 2016		
							ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES			STOCK OPTIONS
Issued capital:	20,257,667,512	-	20,257,667,512	-	-	-	589,225,925	-	-	-	-	-	-	20,846,893,437
a) ordinary shares	20,249,249,488	-	20,249,249,488	-	-	-	589,127,231	-	-	-	-	-	-	20,838,376,719
b) other shares	8,418,024	-	8,418,024	-	-	-	98,694	-	-	-	-	-	-	8,516,718
Share premiums	15,976,604,463	-	15,976,604,463	(1,441,448,594)	-	(150,238,224)	-	-	-	-	-	-	-	14,384,917,645
Reserves:	8,753,683,190	-	8,753,683,190	-	-	(2,232,529,239)	(589,225,925)	-	(157,630,181)	-	-	54,068,093	-	5,828,365,938
a) from profits	3,676,689,816	-	3,676,689,816	-	-	222,965,137	(589,225,925)	-	(157,630,181)	-	-	-	-	3,152,798,847
b) other	5,076,993,374	-	5,076,993,374	-	-	(2,455,494,376)	-	-	-	-	-	54,068,093	-	2,675,567,091
Revaluation reserves	1,092,027,055	-	1,092,027,055	-	-	4,255,531	-	-	-	-	-	-	(380,102,294)	716,180,292
Equity instruments	1,888,463,450	-	1,888,463,450	-	-	-	-	-	-	495,000,000	-	-	-	2,383,463,450
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Net profit (loss) for the year	(1,441,448,594)	-	(1,441,448,594)	1,441,448,594	-	-	-	-	-	-	-	-	(11,460,132,615)	(11,460,132,615)
<b>Shareholders' Equity</b>	<b>46,524,557,075</b>	<b>-</b>	<b>46,524,557,075</b>	<b>-</b>	<b>-</b>	<b>(2,378,511,932)</b>	<b>-</b>	<b>-</b>	<b>(157,630,181)</b>	<b>495,000,000</b>	<b>-</b>	<b>54,068,093</b>	<b>(11,840,234,909)</b>	<b>32,697,248,146</b>

**Notes:**

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares (Stock Options, Performance Shares, Discount and Matching Shares connected with the ESOP Plans and other Group Executive Incentive Plans).

Changes in Shareholders' equity in the period are illustrated in the specific paragraph of the "Report on Operations".

Statement of changes in Shareholders' Equity as at December 31, 2015

(€)

	BALANCE AS AT 12.31.2014	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2015	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES DURING THE YEAR							SHAREHOLDERS' EQUITY AS AT 12.31.2015	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS					COMPREHENSIVE INCOME 2015		
							ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES			STOCK OPTIONS
Issued capital:	19,905,773,742	-	19,905,773,742	-	-	-	351,893,770	-	-	-	-	-	-	20,257,667,512
a) ordinary shares	19,897,461,892	-	19,897,461,892	-	-	-	351,787,596	-	-	-	-	-	-	20,249,249,488
b) other shares	8,311,850	-	8,311,850	-	-	-	106,174	-	-	-	-	-	-	8,418,024
Share premiums	15,976,604,463	-	15,976,604,463	-	-	-	-	-	-	-	-	-	-	15,976,604,463
Reserves:	9,323,078,472	-	9,323,078,472	71,459,502	-	(213,417,333)	(351,893,770)	-	(168,751,280)	-	-	93,207,599	-	8,753,683,190
a) from profits	4,116,784,266	-	4,116,784,266	71,459,502	-	9,091,098	(351,893,770)	-	(168,751,280)	-	-	-	-	3,676,689,816
b) other	5,206,294,206	-	5,206,294,206	-	-	(222,508,431)	-	-	-	-	-	93,207,599	-	5,076,993,374
Revaluation reserves	1,001,109,067	-	1,001,109,067	-	-	(32,365)	-	-	-	-	-	-	90,950,353	1,092,027,055
Equity instruments	1,888,463,450	-	1,888,463,450	-	-	-	-	-	-	-	-	-	-	1,888,463,450
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Net profit (loss) for the year	79,774,103	-	79,774,103	(71,459,502)	(8,314,601)	-	-	-	-	-	-	-	(1,441,448,594)	(1,441,448,594)
<b>Shareholders' Equity</b>	<b>48,172,363,296</b>	<b>-</b>	<b>48,172,363,296</b>	<b>-</b>	<b>(8,314,601)</b>	<b>(213,449,698)</b>	<b>-</b>	<b>(168,751,280)</b>	<b>-</b>	<b>-</b>	<b>93,207,599</b>	<b>(1,350,498,241)</b>	<b>46,524,557,075</b>	

## Cash Flow Statement

## Cash Flow Statement (indirect method)

(€)

	YEAR	
	2016	2015
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>2,382,344,585</b>	<b>2,516,769,502</b>
- profit (loss) of the year (+/-)	(11,460,132,615)	(1,441,448,594)
- profit (loss) of merged companies (+/-)	206,672,869	-
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	76,117,053	(162,889,451)
- capital gains (losses) on hedging operations (+/-)	2,746,530	(7,386,379)
- net losses/recoveries on impairment (+/-)	11,445,265,837	3,367,632,671
- net write-offs/write-backs on tangible and intangible assets (+/-)	185,031,165	130,171,584
- provisions and other incomes/expenses (+/-)	292,245,105	262,374,070
- unpaid taxes and tax credits (+/-)	(62,705,814)	(1,116,467,411)
- other adjustments (+)	1,697,104,455	1,484,783,012
<b>2. Liquidity generated/absorbed by financial assets</b>	<b>(1,689,945,030)</b>	<b>(1,710,963,055)</b>
- financial assets held for trading	861,536,185	2,887,289,516
- financial assets at fair value	113,267,195	65,215,889
- available-for-sale financial assets	(206,195,242)	(9,830,439,911)
- loans and receivables with banks	1,653,362,853	210,022,769
- loans and receivables with customers	(5,248,441,323)	3,355,653,782
- other assets	1,136,525,302	1,601,294,900
<b>3. Liquidity generated/absorbed by financial liabilities</b>	<b>(2,681,369,415)</b>	<b>(2,958,324,669)</b>
- deposits from banks	(1,827,150,322)	5,762,037,982
- deposits from customers	15,007,266,162	13,583,816,438
- debt certificates including bonds	(18,451,613,299)	(16,797,799,476)
- financial liabilities held for trading	2,743,920,562	(2,636,083,902)
- financial liabilities designated at fair value	2,053,750,358	-
- other liabilities	(2,207,542,876)	(2,870,295,711)
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(1,988,969,860)</b>	<b>(2,152,518,222)</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Liquidity generated by:</b>	<b>3,214,870,388</b>	<b>3,176,413,012</b>
- sales of equity investments	1,858,033,321	927,928,618
- collected dividends on equity investments	1,098,207,791	1,369,409,108
- sales of financial assets held to maturity	4,834,483	817,500,000
- sales of tangible assets	253,794,793	61,575,286
- sales of intangible assets	-	-
- sales of divisions	-	-
<b>2. Liquidity absorbed by:</b>	<b>(1,853,106,773)</b>	<b>(356,115,845)</b>
- purchases of equity investments	(1,704,036,583)	(174,190,812)
- purchases of financial assets held to maturity	(8,197,386)	-
- purchases of tangible assets	(139,936,499)	(176,668,091)
- purchases of intangible assets	(936,305)	(5,256,942)
- purchases of sales/purchases of divisions	-	-
<b>Net liquidity generated/absorbed by investment activities</b>	<b>1,361,763,615</b>	<b>2,820,297,167</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	495,000,000	-
- distribution of dividends and other scopes	(452,857,781)	(441,764,617)
<b>Net liquidity generated/absorbed by funding activities</b>	<b>42,142,219</b>	<b>(441,764,617)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR</b>	<b>(585,064,026)</b>	<b>226,014,328</b>

**Reconciliation**

(€)

ITEMS	YEAR	
	2016	2015
Cash and cash equivalents at the beginning of the year	2,460,123,105	2,324,945,243
Net liquidity generated/absorbed during the year	(585,064,026)	226,014,328
Cash and cash equivalents: effect of exchange rate variations	(23,227,487)	(90,836,466)
Cash and cash equivalents at the end of the year	1,851,831,592	2,460,123,105

LEGEND:  
(+) generated;  
(-) absorbed.



# Notes to the Accounts

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# Part A - Accounting Policies

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## Part A - Accounting Policies

### A.1 - General

#### Section 1 - Statement of compliance with IFRS

These Accounts have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to December 31, 2016, pursuant to EU Regulation 1606/2002 which was incorporated into Italian legislation through the Legislative Decree No.38 of February 28, 2005 (see Section 4 - Other matters).

They are an integral part of the Annual Financial Statements as required by Art.154-ter, paragraph 1, of the Single Finance Act (TUF Legislative Decree No.58 of February 24, 1998).

In its circular 262 of December 22, 2005 and subsequent amendments Banca d'Italia laid down the formats for the financial statements and explanatory notes used to prepare these Accounts.

On December 15, 2015, the fourth update of this circular was issued, adapting the notes on "credit quality" to the definitions of impaired loans as "Non-Performing exposures" and "forborne exposures" laid down by the European Commission in Regulation 2015/227, as recommended by EBA. In addition, with this update some of the previously applicable templates of the tables have been rationalized.

In particular, the main rationalization changes to the disclosure templates concerned the following areas:

- in Part B disclosure on the balance sheet:
  - tables concerning annual changes to the financial instruments presented in the assets and liabilities of the balance sheet (for example, table "2.3 On-balance-sheet financial assets held for trading: annual changes");
- in Part E - Information on risks and related risk management policies:
  - Tables relating to the securitisation transactions provided for in Section 1 - Credit risks - C. securitisation transactions (for example, tables "C.1 Exposures deriving from securitisation transactions broken down by quality of underlying assets", "C.4 Exposures deriving from securitisation transactions broken down by portfolio and type", and "C.5 Total amount of securitised assets underlying junior securities or other forms of credit support");
  - in Section 1 "Credit risks - credit quality" of the consolidated financial statements, tables "A.1.1. Breakdown of financial assets by portfolio and credit quality (carrying value)" and "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", no distinction is made between "banking group" and "other companies".

#### Section 2 - General Preparation Criteria

As mentioned above, these Accounts have been prepared in accordance with the IFRS endorsed by the European Commission.

The following documents have been used to interpret and support the application of IFRS, even though not all of them have been endorsed by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretative documents on the application of IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority) and CONSOB documents on the application of specific IFRS provisions.

The Accounts comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement (compiled using the indirect method) and the Notes to the Accounts, together with the Directors' Report on Operations and Annexes.

Pursuant to Art.123-bis paragraph 3 of TUF, as noted in the Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the UniCredit website

<https://www.unicreditgroup.eu/it/governance/system-policies/corporate-governance-report.html> - Italian version, and  
<https://www.unicreditgroup.eu/en/governance/system-policies/corporate-governance-report.html> - English version).

Figures in the financial statements and Notes to the Accounts are given in **thousands of euros**, unless otherwise specified.

In their joint Document No.4 of March 3, 2010, Banca d'Italia, Consob and Isvap made a few observations on the current situation of the markets and businesses and requested that information essential for a better understanding of business trends and outlook be disclosed in financial reports. In this regard, the Directors identified no symptoms in the capital and financial structure and in the economic performance that could indicate uncertainty about the ability to continue as a going-concern and therefore believe with reasonable certainty that the Group will continue to operate

profitably in the foreseeable future; as a result, in accordance with the provisions of IAS1, the Consolidated Financial Statements as at December 31, 2016 were prepared on a going-concern basis.

Indeed, the Directors took account of the fact that the loss for the financial year 2016 was characterized by non-recurrent negative impacts on the economic result of the fourth quarter mainly resulting from the actions that followed the approval of the new 2016-2019 Strategic plan, which involved i) the alignment of the value of an impaired loans portfolio held for sale to the amounts expected from market transactions initiated in relation to such loans; ii) the change in the estimates of the value of impaired loans to customers, in order to reflect the prevailing conditions at the balance sheet date based on the new impaired loans management approach; iii) the liabilities attributable to business restructuring costs as well as to legal and compliance risks; iv) the write-down of certain investments, deferred tax assets and other financial investments.

Despite these losses resulted in the temporary failed observance of the SREP minimum capital requirements, based on the 2016-2019 Strategic Plan as well as on the results of the capital increase fully subscribed with effect from March 2, 2017, the Directors believe that there are no uncertainties regarding the business being a going-concern.

The measurement criteria adopted are therefore consistent with the assumption that the business is a going-concern and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form. These criteria have not changed with respect to the previous year.

### **Risk and uncertainty related to the use of estimates**

Under the IFRS, management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning potential assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Estimated figures have been used for the recognition of some of the largest value-based items in the Accounts at December 31, 2016, as required by the accounting policies and regulations described above.

These estimates are largely based on calculations of future recoverability of the values recognized in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted confirm the carrying values at December 31, 2016. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

The parameters and information used to check the above-mentioned values were therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out.

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognized in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognized accordingly in both current and future periods.

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets;
- loans and receivables, investments and, in general, any other financial assets/liabilities;
- severance pay (Italy) and other employee benefits;
- provisions for risks and charges and contingent assets (for more information on legal risks see Part E - Section 4) ;
- goodwill and other intangible assets;
- assets and liabilities related to insurance contracts;
- deferred tax assets;
- property held for investment;

whose assessment may significantly change over time according to the trend in (i) domestic and international socio-economic conditions and subsequent impact on the Bank's profitability and customers' creditworthiness, (ii) financial markets which affect changes in interest rates, prices and actuarial assumptions, (iii) real estate market affecting the value of property owned by the Bank or received as collateral.

With specific reference to valuation techniques, unobservable inputs used in the fair value measurement and sensitivities to changes in those inputs, please refer to section A.4. "Information on fair value".

## Part A - Accounting Policies

### Section 3 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as of December 31, 2016.

For a description of the significant events after year end see the specific paragraph of the Report on Operations.

### Section 4 - Other matters

In 2016 the following standards, amendments or interpretations have become effective:

- Amendments to IFRS10, IFRS12 and IAS28: Investment Entities - Applying the Consolidation Exception (EU Regulation 2016/1703);
- Amendments to IAS27: Equity Method in Separate Financial Statements (EU Regulation 2015/2441);
- Amendments to IAS1: Disclosure Initiative (EU Regulation 2015/2406);
- Annual Improvements to IFRSs 2012–2014 Cycle (EU Regulation 2015/2343);
- Amendments to IAS16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (EU Regulation 2015/2231);
- Amendments to IFRS11: Accounting for Acquisitions of Interests in Joint Operations (EU Regulation 2015/2173);
- Amendments to IAS16 and IAS 41: Bearer Plants (EU Regulation 2015/2113);
- Amendments to IAS19 - Defined benefit plans: employee contributions (EU Regulation 2015/29);
- Annual Improvements to IFRSs 2010 - 2012 Cycle (EU Regulation 2015/28).

The application of the principles and amendments mentioned above, did not have substantial impact on balance sheet and income statement.

In 2016 the European Commission endorsed the following accounting principles that will be applicable for reporting periods beginning on or after January 1, 2018:

- IFRS9 Financial Instruments (EU Regulation 2016/2067)
- IFRS15 Revenue from Contracts with Customers EU Regulation 2016/1905).

As of December 31, 2016 the IASB issued the following standards, amendments, interpretations or revisions, their application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS14 Regulatory Deferral Accounts (January 2014);
- IFRS16 Leases (January 2016);
- Amendments to IFRS10 and IAS28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (September 2014);
- Amendments to IAS12: Recognition of Deferred Tax Assets for Unrealised Losses (January 2016);
- Amendments to IAS7: Disclosure Initiative (January 2016);
- Clarifications to IFRS15 Revenue from Contracts with Customers (April 2016);
- Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (June 2016);
- Amendments to IFRS4: Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts (September 2016);
- Annual Improvements to IFRS Standards 2014-2016 Cycle (December 2016);
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (December 2016)
- Amendments to IAS40: Transfers of Investment Property (December 2016).

With particular reference to the accounting standards which will be effective in future periods, we highlight that IFRS9:

- will introduce significant changes to classification and measurement of financial instruments based on the “business model” assessment and on the characteristics of the cash flows of the financial instrument (SPPI - Solely Payments of Principal and Interests criteria), which may require a different classification and measurement method for the financial instrument compared to IAS39;
- will introduce a new accounting model for impairment, based on expected losses approach against the incurred losses approach currently in force under IAS39 and will introduce the concept lifetime expected losses, which may require an anticipation and increase of the structural provisioning with particular reference to credit losses; and
- works on the hedge accounting model rewriting the rules for the designation of a hedge accounting relationship and for the verification of its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logic. It should be noted that the principle allows the entity to make use of the possibility to continue to apply IAS39 hedge accounting rules until the IASB has completed the project on definition of macrohedging rules.

In addition to that IFRS9 changes also the accounting treatment of “own credit”, in other words changes in the fair value of issued debt liabilities that are designated at fair value not attributable to changes of the own credit risk. The new accounting standard requires that these changes shall be recognized in a specific equity reserve, rather than to the income statement, as requested under IAS39, therefore removing a volatility source from the economic results.

A Group wide project has been set-up with the aim at creating common risk and accounting methodologies as well as an harmonized target operating model across the Group legal entities.

Mirroring the main changes required by IFRS 9, the Group wide project has been organized through work-streams specifically dedicated to analyze Classification and Measurement, aimed at reviewing the classification of the financial instruments according to new IFRS9 criteria, and Impairment, aimed at developing and implementing models and methodologies for impairment calculation.

These work-streams are further integrated by a specific work-stream dedicated to adapting the models and methodologies developed to the peculiarities of Corporate & Investment Banking.

The whole project is being developed with the involvement of all the relevant departments of the Bank and with an active involvement of Board of Directors and senior management.

With reference to "Classification and Measurement" work-stream the Group has finalized the identification of the applicable business model for its different lines of business and will finalize during 2017 the analysis of the existing loan and security portfolio to assess whether their contractual cash flows characteristics allows them to be measured at amortized cost.

This analysis is performed either on a contract by contract basis or on a cluster basis depending on the peculiarities of the deals being analyzed and leverages on a specifically internally developed tool ("SPPI Tool"), aimed at analyzing the contractual features of the deals compared with IFRS 9 requirements as well as external data providers.

With reference to the "Impairment" work-stream, the Group has mostly finalized the development of Group-wide models and the methodologies for the calculation of Loan Loss provisions under the new expected loss model and the identification of whether a significant increase in "credit risk" has occurred in order to transfer the credit exposure from Stage 1 to Stage 2 ("Transfer Logic").

These models and methodologies starts from the parameters already calculated for regulatory purposes (Probability of Default, Loss Given Default and Exposure at Default) and adjust it in order to eliminate the conservatism required by regulatory rules and to introduce forward looking information through a multi scenario analysis based on macroeconomic analysis.

With reference to the "Transfer Logic" the Group assesses whether there has been a significant increase in credit risk has occurred on the basis of the actual Probability of Default of the credit exposure compared with the Probability of Default foreseen at the time of initial recognition on the basis of internal rating.

Finally with reference to hedge accounting the Group elected to continue to apply the existing hedge accounting requirements in IAS39 for all hedge accounting until the IASB will have completed its project on the accounting for macro hedging.

In order to implement the methodological framework and the tools explained above in its daily operations, the Group has defined the final IT architecture, whose development is in line with the set project timeline and is currently improving its current organizational processes and procedures in order to integrate them with the changes requested by the standard.

Finalization of these activities will be performed during 2017 in time for IFRS9 first time application on January 1, 2018.

As a result the Group plans to use the transitional relief allowed by the standard and will not publish comparatives figures in its 2018 IFRS9 financial reports.

At the date of first time application, the main impacts of IFRS9 on UniCredit group are expected to come from the application of the new model for impairment based on an expected losses approach, that will result in an increase of write-downs on not impaired assets (especially loans and receivables with customers), as well as the application of the new transfer logic between the different "Stages" provided for by the new standard.

In particular it is expected that a greater volatility in the financial results between different reporting periods will be generated, due to the dynamic changes between different "Stages" of the financial assets recognized in the financial statements (especially between "Stage 1", which will include the new positions originated as well as all performing loans, and "Stage 2" which will include positions in financial instruments that have suffered a significant credit risk deterioration since the initial recognition). Adjustments to the carrying value of financial instruments due to IFRS9 transition will be accounted for through Equity as of January 1, 2018. On the contrary the Group, on the basis of the analysis performed as at 31 December 2016, doesn't expect a significant amount of financial assets to be measured at Fair Value through profit or loss as a result of the circumstance that their contractual cash flows are not deemed to be solely payment of principal and interests.

Due to the entry into force of IFRS9 a revision of prudential rules for the calculation of the capital absorption on expected credit losses is also awaited. The terms of such review are not yet known.

On 10<sup>th</sup> November 2016, the EBA has issued a report that synthesizes the main results of the impact analysis realized on a sample of 50 European banks (including UniCredit) with reference to 31 December 2015. With reference to the qualitative component of the questionnaire, the authority has pointed out that the sample of relevant banks has indicated an operational complexity, in particular concerning the aspects linked to data quality, and technology for the introduction of the new principle. The report also pointed out that the change in the impairment model would result in the sample of banks surveyed an average growth of provision IAS39 (approximately 18%), as well as an impact on the Common equity tier 1 and Total capital equal respectively to 59 and 45 basis points. In the context of this impact analysis, UniCredit Group has estimated a negative impact, on the date of initial application of IFRS9, of about 34 basis points on CET1.

## Part A - Accounting Policies

EBA on 26 November 2016 launched a 2<sup>nd</sup> impact assessment exercise on the same sample of banks, in order to gather more detailed and updated insights regarding the implementation of the new Standard. UniCredit Group performed this exercise using as reference date September 30, 2016. The outcome of the analysis substantially confirms the impacts estimated for the 1<sup>st</sup> impact assessment.

IFRS15, effective starting from January 1, 2018, has been endorsed by the European Union with Regulation EU 2016/1905 of September 22, 2016 (published on October 29, 2016), modifies the current 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”) focalized on the transfer of control; and
- the request for a more detailed disclosure to be included in the explanatory notes to the financial statements.

IFRS16, effective starting from January 1, 2019, subject to the completion of the currently ongoing endorsement process by the European Union, modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability reflecting the future payments of the lease contract.

At the initial recognition such asset is measured on the basis of the lease contract cash flows, which include in addition to the present value of lease payments, any initial direct cost attributable to the lease and any other costs required for the dismantling/removing the underlying asset at the end of the contract. After the initial recognition the right-of-use will be measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any eventual accumulated impairment losses, the revaluation model or the fair value model set by IAS16 or by IAS40.

It should also be noted that, following the approval of the 2016-2019 Strategic Plan in December 2016, UniCredit S.p.A. has introduced a series of measures and management actions designed to implement a new management approach, specifically with regard to impaired loans (the PORTO Project). As a result of this change, at December 31, 2016 the bank modified the parameters used to estimate the recoverable amount of its credit exposures to customers; in accordance with IAS8 (specifically paragraph 5), since the basis for the measurement of the loans has not been modified, this change qualifies as a “change in accounting estimates”. Detailed information on the effects of this change is provided, as required by IAS8 (paragraph 39), in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table “A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)”, which should be consulted for further information.

In addition, again in conjunction with the development of the Strategic Plan, in the last quarter of 2016, UniCredit S.p.A. launched the “FINO Project”, involving a set of credit exposures to customers classified as Non-Performing Loans (the FINO Portfolio) held for sale which, according to the specific features of the Project, have been valued on the basis of their respective selling prices, in accordance with IAS39, and specifically paragraphs 63 and AG 84. Again, for a complete disclosure, see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table “A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)”.

The Parent Company Accounts and the Consolidated Accounts as at December 31, 2016 are audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree No.39 of January 27, 2010 and to the resolution passed by the Shareholders’ Meeting on May 11, 2012.

The UniCredit group prepared and published within the time limits set by law and in manner required by Consob, its Consolidated First Half Financial Report as at June 30, 2016, subject to limited scope audit, as well as the Consolidated Interim Reports as at March 31 and September 30, 2016, this latter both as Press Release and in an extended version subject to limited scope audit.

The Parent Company Accounts and the Consolidated Accounts as at December 31, 2016 has been approved by the Board of Directors’ meeting of March 13, 2017, which authorized its disclosure to the public, also pursuant to IAS 10.

The whole document is filed to the competent offices and entities as required by law.

## A.2 - Main Items of the Accounts

### 1 - Financial assets held for trading (Hft)

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees, see Section 17 - Other Information, and derivatives designated as hedging instruments - see Section 6 - Hedge Accounting).

Like other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and income, which are recognized in profit and loss even when directly attributable to the financial assets. Trading book derivatives are recognized at trade date.

After initial recognition these financial assets are measured at their fair value through profit or loss. An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognized in profit or loss in item "80. Gains (Losses) on financial assets and liabilities held for trading", with the exception of financial derivatives relating to a fair value option of whose gains and losses, either realized or unrealized, are booked in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit and loss" (see Section 5 - Financial Instruments at Fair Value through Profit and Loss). If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognized in item "40. Financial liabilities held for trading".

A derivative is a financial instrument or other contract that presents all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from the host contract and recognized as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

If it is necessary to separate an embedded derivative from its host contract, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire combined contract is treated as a financial asset or financial liability at fair value through profit or loss.

When an embedded derivative is separated, the host contract is recognized according to its accounting classification.

A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

## Part A - Accounting Policies

### 2 - Available-for-sale financial assets (Afs)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss. These assets are held for an indefinite period of time and can meet the need to ensure liquidity and face changes in interest rates, exchange rates and prices. Afs financial assets are money market instruments, other debt instruments (included host contract of hybrid instruments from which embedded derivative has been bifurcated) or equity instruments and other "non-monetary items" (e.g. UIF, etc.); they include shares held as minority stakes where these do not constitute controlling or associate interests or joint control.

On initial recognition, at settlement date, an Afs financial asset is measured at fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.

In subsequent periods Afs assets are measured at fair value, the interest on interest-bearing instruments being recognized at amortized cost in the income statement. Gains or losses arising out of changes in fair value are recognized in equity item "130. Revaluation reserves" - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognized under item "130. Net losses/recoveries on impairment: b) available-for-sale financial assets" and item "80. Gains (Losses) on financial assets and liabilities held for trading" respectively - until the financial asset is sold, at which time cumulative gains and losses presented in Revaluation reserves are recognized in profit or loss in item "100. Gains (Losses) on disposal or repurchase of: b) available-for-sale financial assets".

The fair value changes recorded in in the Statement of Comprehensive Income and disclosed in item "130. Revaluation reserves".

Equity instruments (shares and other non-monetary items) not listed in an active market and whose fair value cannot be reliably determined due to lack or unreliability of information for the fair value measurement are valued at cost, equivalent to the last fair value reliably measured.

If there is objective evidence of an impairment loss on an available-for-sale financial asset, the cumulative loss that had been recognized directly in equity item "130. Revaluation reserves", is removed from equity and recognized in profit or loss under item "130. Net losses/recoveries on impairment: b) available-for-sale financial assets".

In respect of debt instruments, any circumstances indicating that the borrower/issuer is experiencing financial difficulties which could prejudice the collection of the principal or interest, represent an impairment loss.

Lasting loss of value of equity instruments is assessed on the basis of indicators such as fair value below cost and adverse changes in the environment in which the company operates, as well as the issuer's debt service difficulties.

The loss of value is normally considered lasting if fair value falls to less than 50% of cost or lasts for more than 18 months.

If however the fall in the fair value of the instrument is over 20% but less than or equal to 50% or continues for no less than 9 but no longer than 18 months, UniCredit reviews further income and market indicators. If the results of the review are such as to prejudice the recovery of the amount originally invested, a lasting loss of value is recognized.

The amount taken to profit and loss is the difference between the carrying amount (value of initial recognition less any impairment loss already recognized in profit or loss) and current fair value.

Where instruments are valued at cost, the amount of the loss is determined as the difference between their carrying value and the present value of estimated future cash flows, discounted at the current market yield on similar financial assets (the recoverable amount).

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event such as an improvement in the debtor's credit worthiness occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed and the amount of the reversal is recognized in the same profit or loss item. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss, but recognized at equity.



### 3 - Held-to-maturity investments (Htm)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity different from those that may be classified in Loans and receivables for which there is the positive intention and ability to hold them to maturity (included host contract of hybrid instruments from which embedded derivative has been bifurcated whose value is represented by the difference between the total amount received and the fair value of the embedded derivative).

If, during the financial year, more than an insignificant amount of held-to-maturity investments are sold or reclassified before maturity, the remaining Htm financial assets shall be reclassified as available-for-sale and no financial assets shall be classified as Htm investments for the two following financial years, unless the sales or reclassifications:

- are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after substantially all of the financial asset's original principal has been collected through scheduled payments or prepayments;
- are attributable to an isolated event that is beyond the reporting entity's control, is non-recurring and could not have been reasonably anticipated.

After initial recognition at its fair value, which will usually be the price paid including transaction costs and income directly attributable to the acquisition or provision of the financial asset (even if not yet settled), a held-to-maturity financial asset is measured at amortized cost using the effective interest method. The difference between the carrying value of the asset and the amount received is taken to profit and loss under item "100. Gains (Losses) on disposal and repurchase of: c) held-to-maturity investments" when the financial asset is derecognized.

If there is objective evidence that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognized in profit or loss under item "130. Net losses/recoveries on impairment: (c) held-to-maturity investments".

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event such as an improvement in the debtor's credit worthiness occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. The reversal cannot result in a carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized. The amount of the reversal is recognized in the same profit or loss item.

Held-to-maturity investments cannot be hedged for other than credit and currency risk.

### 4 - Loans and receivables

#### Loans and Advances

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

These items include debt instruments with the above characteristics (included host contract of hybrid instruments from which an embedded derivative has been bifurcated) or those subject to portfolio reclassification in accordance with the rules of IAS39 (see Part A.3.1 below - Transfers between portfolios).

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

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

- when a loan or receivable is derecognized due to its disposal, in item "100. Gains (Losses) on disposal and repurchase of: a) loans";  
or:
- when a loan or receivable is impaired (or the impairment loss previously recognized is reversed in item "130. Net losses/recoveries on impairment: (a) loans".

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

## Part A - Accounting Policies

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

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

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

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest, which coherently with portfolio business management model, can refer also to market operations. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the rate used.

The amount of the loss on impaired exposure classified as bad loans and unlikely to pay, according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions the interest rate so determined is kept constant also in subsequent financial years, while for floating rate positions the interest rate is updated on the basis of the contractual terms.

If the original rate cannot be directly found, or if finding it would be excessively onerous, the best estimation of it, even using of practical expedients that do not alter the substance and the coherence with international accounting standards, are applied.

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

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

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

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

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

According to Banca d'Italia regulations, set out in Circular No.272 of July 30, 2008 and subsequent updates, loans classified as 'impaired' based on the characteristics set out in paragraphs 58-62 of IAS39, correspond to the category Non-Performing Exposures as defined by ITS EBA (EBA/ITS/2013/03/rev1 7/24/2014).

In particular, the EBA has defined Non-performing exposures as those that satisfy one or both of the following criteria:

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

In addition the mentioned EBA standards have introduced the definition of "forborne" exposures, i.e. debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"), i.e. modifications of the previous contractual terms and conditions or total or partial refinancing<sup>(8)</sup>. Forborne exposures may be classified in the risk category of non -performing loans (bad loans, unlikely-to-pay, past-due impaired) or performing loans. With reference to the assessments of impairment and provisions for Forborne exposures, the accounting policies applied are in line with the general criteria in accordance with IAS39 requirements with the following clarification on forborne exposures classified as unlikely to pay.

<sup>8</sup> For further details on the definition of forborne exposure and the related impacts on the loan process please refer to part E - Section 1 - Paragraph 2.4 Non-Performing Exposures.

The same Circular No.272 further classifies non-performing exposures in the following categories:

- **Bad loans:** refers to on-balance sheet and off-balance sheet exposures that are formally considered as uncollectable, towards borrowers that are in insolvency (even not judicially ascertained) or an equivalent situation. The impairment loss assessment is performed in general on analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). In case of not significant amounts, the assessment of impairment loss is performed on a collective basis aggregating similar exposures.
- **Unlikely to pay:** refers to on-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as “unlikely to pay” derives from the assessment of the debtor’s unlikeliness (without actions such as realization of collateral) to repay fully his credit obligation (principal and/or interest). The classification within the unlikely to pay category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidences of a debtor’s risk of default. The impairment loss assessment is performed in general on analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.

The exposure classified as unlikely to pay and qualified as forbore can be reclassified back to performing loans only after one year since the forbearance measure has been granted and provided that the conditions set for in paragraph 157 of the Implementing Technical Standard of EBA are met. With reference to their provisioning:

- measurement is performed in general on a loan-by-loan basis and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate;
- loans under renegotiation involving a debt/equity swap are valued, pending swap finalization, on the basis of the conversion agreements entered into on the balance-sheet date. Any differences between the value of the loans and the fair value of the shares at the initial recognition are taken to profit and loss as write-downs.

- **Non-Performing past-due:** they are on-balance-sheet exposures, other than those classified among bad loans or unlikely to pay, which, at the reference date, have amounts that are past-due or over limits. Not-performing past-due amounts are determined by UniCredit S.p.A. making reference to the single debtor. In particular, they include the total exposure to any borrower not included in the categories of bad loans or unlikely to pay, which at the balance-sheet date has expired facilities or unauthorized overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the “past due exposures” category (TSA banks, that adopt standardized approach) or under the “defaulted exposures” category (IRB banks). Overdue exposures are valued using a statistical approach based on historical data, applying where available the degree of risk as measured by the risk factor used for Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms reporting (LGD - Loss given default).

Collective assessment is used for groups of performing loans for which individually there are no indicators of impairment: to these portfolios a latent impairment can be attributed, according to the method described below, inter alia on the basis of the risk factors used under supervisory regulations CRR.

Each loan with similar characteristics in terms of credit risk - in relation to loan type, the borrower’s sector of economic activity, geographical location, type of security or other relevant factors - is assessed in terms of its Probability of Default (PD) and Loss Given Default (LGD); these are uniform for each class of loan.

The methods used combine supervisory regulations, CRR recommendations and IFRS. The latter exclude future loan losses, not yet sustained, but include losses already sustained even if they were not manifest at the date of measurement, on the basis of past experience of losses on assets with a similar risk profile to the assets being measured. The average time elapsed from deterioration of borrowers’ financial condition to the recognition of impairment losses, in relation to any homogeneous group of exposures, is the Loss Confirmation Period (LCP)

The portfolio valuation of performing exposures is the product of the risk factors derived from the parameters used under CRR requirements, with a one-year time horizon, and the above loss confirmation periods (LCP), expressed as part of a year and diversified according to Loan classes on the basis of the characteristics of the customer’s segment/portfolios. If these indicators are not available, estimated value and standard loss percentages, based on internal historical series and sectorial studies, shall be used.

Allowances for unsecured loans to residents of countries experiencing debt service difficulties, where the transfer risk is not included in the rating system applied, are generally determined, country by country, with the aim of attributing latent impairment on the basis of shared parameters. Allowances for impairment reduce the loan or receivable’s carrying amount.

## Part A - Accounting Policies

### Loan Securitizations

Loans and receivables also include, according to the applicable product breakdown, loans securitized after January 1, 2002 which cannot be derecognized under IAS39 (see Section 17 - Other information - Derecognition).

Corresponding amounts received for the sale of securitized loans, net of the amount of any issued securities and any other type of credit enhancement held in portfolio (retained risk) are recognized in liability items "10. Deposits from banks" and "20. Deposits from customers". Both assets and liabilities are measured at amortized cost and interest received is recognized through profit or loss. Impairment losses on securitized assets sold but not derecognized are reported in item "130. Net losses/recoveries on impairment: a) loans".

### Guarantees

These include all personal guarantees issued by the bank to secure third parties' obligations.

This portfolio is valued on the basis of impairment losses due to a worsening of the solvency of the guaranteed party calculated on a case-by-case basis in respect of guarantees given on behalf of debtors classified as bad loans, unlikely to pay.

In respect of guarantees issued on behalf of debtors classified as "Non-Performing Past due Exposures", expected loss is estimated on the basis of the riskiness of the type of guarantee and underlying risk mitigation instruments.

In respect of guarantees issued on behalf of debtors classified as "performing exposures", and on behalf of debtors classified as Performing Past due is calculated on the basis of the amount of losses incurred but not reported due to the time elapsed between the deterioration of creditworthiness and the calling of the guarantee.

Risk arising from off-balance sheet items, e.g. loan commitments or released guarantees, is recognized in profit and loss under item "130. Net losses/recoveries on impairment: d) other financial assets" contra liability item "100. Other Liabilities".

Subsequent write-backs may not exceed the amount of write-downs (whether individual or generic) previously recognized due to impairment.

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In the fourth quarter of 2016, UniCredit S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers; in accordance with IAS8 (paragraph 5), since the basis for the measurement of the loans has not been modified, this change qualifies as a "change in accounting estimates". Detailed information on the effects of this change is provided, as required by IAS8 (paragraph 39) in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", which should be consulted for further information.

## 5 - Financial instruments at fair value through profit or loss

Any financial asset may be designated, in accordance with the provisions of IAS39 as a financial instrument measured at fair value through profit and loss on initial recognition, except for the following:

- investments in equity instruments for which there is no price quoted in active markets and whose fair value cannot be reliably determined;
- derivatives.

FaFV includes financial assets:

- not belonging to regulatory trading book, whose risk is:
  - connected with debt positions measured at fair value (see also Section 15 - Financial liabilities at fair value through profit and loss);
  - and managed by the use of derivatives not treatable as accounting hedges.
- represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

FaFV are accounted for in a similar manner to "HfT financial assets" (see Section 1 - Financial Assets held for trading), however gains and losses, whether realized or unrealized, are recognized in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss".

## 6 - Hedge accounting

Hedging instruments are those created to hedge market (interest-rate, currency and price) and/or credit risk to which the hedged positions are exposed.

They may be described as follows:

- **Fair value hedge:** a hedge of the exposure to changes in fair value of a recognized asset or liability, or an identifiable portion of such an asset or liability;
- **Cash flow hedge:** a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- **Hedge of a net investment in a foreign entity,** whose operations are presented in a currency other than euro.

Hedging derivatives are initially recognized on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and the retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80 -125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedged item is sold, expires or is repaid, (iii) it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognized through profit or loss in item "90. Fair value adjustments in hedge accounting"; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognized through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognized in profit or loss under item "90. Fair value adjustments in hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortized is at once recognized through profit or loss in item "100. Gains (Losses) on disposal and repurchase";
- **Cash Flow Hedging** - hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognized in equity item "130. Revaluation reserves". The ineffective portion of the gain or loss is recognized through profit or loss in item "90 Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognized in *revaluation reserves* from the period when the hedge was effective remains separately recognized in *revaluation reserves* until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to "90 Fair value adjustments in hedge accounting". The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "130. Revaluation reserves";
- **Hedging a Net Investment in a Foreign Entity** - hedges of a net investment in a foreign entity whose activities are based or conducted in a country or currency other than those of the reporting entity are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized directly in equity is recognized through profit or loss on disposal of the foreign entity. The fair value changes are recorded in the Statement of Comprehensive Income and disclosed in item "130. Revaluation reserves"; the ineffective portion of the gain or loss is recognized through profit or loss in item "90. Fair value adjustments in hedge accounting";
- **Macro-hedges of Financial Assets (Liabilities)** - IAS39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macrohedging is considered highly effective if, at the

## Part A - Accounting Policies

inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes - gains or losses - in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognized in asset item 90. and liability item 70., respectively and offset the profit or loss item "90. Fair value adjustments in hedge accounting".

The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognized in profit and loss item "90. Fair value adjustments in hedge accounting".

If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items 90. (Assets) and 70. (Liabilities) is recognized through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities. If the latter are sold or repaid, unamortized fair value is at once recognized through profit and loss in item "100. Gains (Losses) on disposal and repurchase".

### 7 - Equity investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

#### Subsidiaries

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power in order to influence the variable returns to which the Bank is exposed through its relationship with them.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and establishment of the investee in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are governed;
- the power in order to understand whether the Group has contractual rights that attribute the ability to govern the relevant activities; to this end only substantial rights that provide practical ability to govern are considered;
- the exposure held in relation to the investee in order to assess whether the Group has relations with the investee, the returns of which are subject to changes deriving from variations in the investee's performance;
- the existence of potential principal - agent relationships.

If the relevant activities are governed through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

#### Joint venture

A joint venture is an entity in which the Bank has:

- a joint control agreement;
- rights on the net assets of the entity.

In detail a joint control exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

## Associates

An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.

Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, also through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in the policy-making process, including participation in decisions about dividends or other distributions;
  - the existence of significant transactions;
  - interchange of managerial personnel;
  - provision of key technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.

Investments in subsidiaries, associates and joint ventures are measured at cost.

The purchase price of an equity investment is the sum of:

- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee,  
and
- any cost directly attributable to the acquisition.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value, which is determined on the basis of its value in use, in turn calculated by means of valuation models in general use in financial business, which discount expected future cash flow from the equity investment.

If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company.

If the recovery value is less than the carrying value, the difference is recognized through profit or loss in item "210. Profit (Loss) of equity investments". If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through same profit or loss item.

Equity investments considered strategic investments not covered by the above definitions and not recognized in item "140. Non-current assets and disposal groups held for sale" and item "90. Liabilities included in disposal groups classified as held for sale" (see Section 10 - Non-current Assets Held for Sale), are classified as available for sale financial assets or financial assets measured at fair value, and treated accordingly (see Sections 2 - Available-for-sale Financial Assets and Section 5 - Financial Instruments at Fair Value through Profit or Loss).

## 8 - Property, plant and equipment

The item includes:

- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment;

and is divided between:

- assets used in the business;
- assets held as investments.

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease (see also Section 4 - Loans and Receivables, for transactions with transfer of risk are recognized).

## Part A - Accounting Policies

The item includes assets used as lessee under a finance lease, or let/hired out as lessor under an operating lease.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognized in item "150. Other assets".

Assets held for investment purposes are properties covered by IAS40, i.e. properties held (owned or under a finance lease) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognized at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognized as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured.

Other expenses borne at a later time (e.g. normal maintenance costs) are recognized in the year they are incurred in profit and loss items:

- "150. Administrative costs: b) other administrative expense", if they refer to assets used in the business;
- or:
- "190. Other net operating income", if they refer to property held for investment.

After being recognized as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation.

Residual useful life is usually assessed as follows:

- Buildings max. 33 years;
- Furniture max. 7 years;
- Electronic equipment max. 12 years;
- Other max. 7 years;
- Leasehold Improvements max. 15 years.

An item with an indefinite useful life is not depreciated.

Land and buildings are recognized separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis *inter alia* of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is objective evidence that an asset has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognized in profit and loss item "170. Impairment/write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognized on the prior-year impairment.

An item of property, plant and equipment is derecognized (i) on disposal or (ii) when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognized in profit and loss item "240. Gains (Losses) on disposal of investments" or "170. Impairment/write-backs on property, plant and equipment", respectively.



## 9 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance which is expected to be used during more than one period and from which future economic benefits are probable.

Intangible assets are principally goodwill, software, brands and patents.

This item also includes intangible assets used as lessee under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognized at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortization and impairment losses.

Costs sustained after purchase are:

- added to initial cost, provided they increase future economic benefits arising from the underlying asset (i.e. if they increase its value or productive capacity);
- in other cases (i.e. when they do not increase the asset's original value, but are intended merely to preserve its original functionality) are taken to profit or loss in a single amount in the year in which they have been borne.

An intangible asset with a definite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- Software max. 5 years;
- Other intangible assets max. 5 years.

Intangible assets with an indefinite life are not amortized.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognized in profit and loss item "180. Impairment/write-backs on intangible assets".

For an intangible asset with indefinite life even if there are no indications of impairment, the carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognized in profit and loss item "180. Impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognized on the prior-year impairment.

An intangible asset is derecognized (i) on disposal or (ii) when any further future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognized in the profit and loss item "240. Gains (Losses) on disposal of investments" or "180. Impairment/write-backs on intangible assets", respectively.

### Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the net fair value of the assets and liabilities acquired at the acquisition date.

Goodwill arising from the acquisition of subsidiaries and joint ventures (consolidated proportionately) is recognized as an intangible asset, whereas goodwill arising from the acquisition of associates is included in the carrying amount of the investments in associates.

At a subsequent financial reporting date, goodwill is recognized net of any cumulative impairment losses and is not amortized.

Goodwill is tested for impairment annually, as for other intangible assets with an indefinite life.

Impairment losses on goodwill are recognized in profit and loss item "230. Impairment of goodwill". In respect of goodwill, no write-backs are allowed.

## Part A - Accounting Policies

### 10 - Non-current assets held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS5.

Individual assets (or groups of assets held for sale) are recognized in item "140. Non-current assets and disposal groups classified as held for sale" and item "90. Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to Non-current assets held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of Comprehensive Income (see Part D - Comprehensive Income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to groups of assets or liabilities held for sale are recognized in the income statement under item "280. Gains (losses) on groups of assets held for sale, net of tax". Profits and losses attributable to individual assets held for disposal are recognized in the income statement under the most appropriate item.

### 11 - Current and deferred tax

Tax assets and tax liabilities are recognized in the Balance Sheet respectively in item 130. of assets ("Tax assets") and item 80. of liabilities ("Tax liabilities").

In compliance with the "Balance sheet method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with local tax regulations;
- current tax liabilities, i.e. amounts of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses;
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

Current tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognized in profit or loss on an accrual basis. In particular current corporate tax ("IRES") is calculated at a rate of 27.50%; the regional tax on productive activity ("IRAP") is applied on a regional basis. The national rate is set at 4.65%, to which each Region can autonomously increase a surcharge up to 0.92%, therefore theoretically a rate of 5.57% (plus an additional surcharge of 0.15% provided for the Regions with an healthcare deficit status).

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognized applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Under the tax consolidation system adopted by the Bank, deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit evaluated based on the Bank's ability to generate it in future financial years will be available. Deferred tax liabilities are always recognized. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilized will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognized in profit and loss item "260. Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on available-for-sale financial assets and those relating to changes in the fair value of cash flow hedging instruments, whose changes in value are recognized, net of tax, directly in the Statement of Comprehensive Income - Valuation reserves.

IRES is determined on the basis of the "consolidato fiscale" rules pursuant to LD 344/03; UniCredit S.p.A. opted to apply tax consolidation of the Group's Italian entities (see also Part B of these Notes - Section 13.7 Further Information).

Current tax assets and liabilities are presented on the Balance Sheet net of the related current tax liabilities if the following requirements are met:

- existence of a legally enforceable right to offset the amounts recognized;
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

Deferred tax assets are presented on the Balance Sheet net of the related deferred tax liabilities if the following requirements are met:

- existence of an enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis (usually in presence of a “consolidato fiscale”).

## 12 - Provisions for risks and charges

### Retirement Payments and Similar Obligations

Retirement provisions - i.e. provisions for employee benefits payable after the completion of employment - are defined as contribution plans or defined-benefit plans according to the nature of the plan.

In detail:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

Defined-benefit plans are present-valued by an external actuary using the Unit Credit Projection method.

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognized according to IAS19 Revised as a net liability/asset in item “120. Provisions for risks and charges: a) post-retirement benefit obligations” is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognized, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses arising from the valuation of defined-benefit liabilities are recorded in the Statement of Comprehensive Income and disclosed in the item “130. Revaluation reserves”.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

### Other Provisions

Provisions for risks and charges are recognized when:

- the entity has 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; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognized as provisions are the best estimate of the expenditure required to settle the present obligation.

The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

Where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

## Part A - Accounting Policies

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognized.

Allocations made in the year are recognized in profit and loss item "160. Net provisions for risks and charges" and include increases due to the passage of time; they are also net of any reversal.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the Unit Credit Projection method (see above under Retirement Payments and Similar Obligations).

In certain cases, provisions for risks and charges (e.g. fiscal charges or charges relating to payroll costs) have been classified under their own Profit and Loss item to better reflect their nature.

### 13 - Liabilities and securities in issue

The items "Deposits from banks", "Deposits from customers" and "Debt Securities in issue" are used for all forms of third-party funding other than trading liabilities or those valued at fair value through profit and loss.

These financial liabilities are recognized on the settlement date principle initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortized cost using the effective interest method.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognized as a derivative, provided that separation requirements are met, and recognized at fair value. Any subsequent changes in fair value are recognized in profit and loss item "80. Gains (Losses) on financial assets and liabilities held for trading".

The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part recognized in item "150. Equity instruments", any time contractual terms provide for physical delivery settlement.

The equity part is initially measured at the residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow.

The resulting financial liability is then recognized at amortized cost using the effective interest method.

Securities in issue are recognized net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it is taken to profit and loss under item "100. Gains (Losses) on disposal and repurchase of: d) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

Debts do not include *covenants* that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IFRIC19 - Extinguishing Financial Liabilities with Equity Instruments).

### 14 - Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

A HfT liability, including a derivative, is measured at fair value initially and for the life of the transaction, except for a derivative liability settled by delivery of an unlisted equity instrument whose fair value cannot reliably be measured, and which is therefore measured at cost.

## 15 - Financial liabilities at fair value

According to IAS39 financial liabilities, like financial assets may also be designated on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces the discrepancy that could arise from the application of different methods of measurement of assets and liabilities and related gains or losses;
- or,
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity's Board of Directors or equivalent body.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

These transactions are recognized as per HfT financial liabilities, gains and losses, whether realized or not, being recognized in item "110. Gains (Losses) on financial assets and liabilities at fair value through profit and loss".

## 16 - Foreign currency transactions

A foreign currency transaction is recognized at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealized exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognized in profit and loss item "80. Gains (Losses) on financial assets and liabilities held for trading".

Exchange rate differences arising on a monetary item that forms part of an entity's net investment in a foreign operation whose activities are based or conducted in a country or currency other than those of the reporting entity are initially recognized in the entity's equity, and recognized in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognized at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognized:

- in profit and loss if the financial asset is HfT; or
- in the Statement of Comprehensive Income and disclosed in the Revaluation reserves if the financial asset is AfS.

Hedges of a net investment in a foreign operation are recognized similarly to cash flow hedges.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an Equity reserve, is reclassified in profit or loss.

## 17 - Other information

### Business Combinations

A business combination is a transaction through which an entity obtains control of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

## Part A - Accounting Policies

IFRS3 requires that all business combinations concerning business divisions shall be accounted for by applying the purchase method, that involves the following steps:

- i. identifying an acquirer;
- ii. measuring the cost of the business combination; and
- iii. allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognizing the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits,

indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities and contingent liabilities so recognized is accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognize immediately any excess remaining after that reassessment in profit or loss.

In the case of business combinations resulting in a Parent company-subsiidiary (acquirer-acuiree) relationship, the equity investment is accounted for under the cost method.

### Derecognition of financial assets

Derecognition is the removal of a previously recognized financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IAS39 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of assets), e.g. interest cash flows from an asset;
- the part comprises a clearly identified percentage of the cash flows from a financial asset, e.g., a 90 per cent share of all cash flows from an asset;
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, e.g. 90 per cent share of interest cash flows from an asset.

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Bank to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Bank is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset . If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognize the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitizations, repurchase (sell and buy-backs) and stock lending transactions.

In the case of securitizations the Bank does not derecognize the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in the Bank retaining the credit risk of the securitized portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognized since the terms of the transaction entail the retention of all their risks and rewards.

Lastly, it should be noted that securities lending transactions collateralized by other securities or not collateralized were recorded as off-balance sheet items.

### **Repo Transactions and securities lending**

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognized nor derecognized. In respect of securities purchased under an agreement to resell, the consideration is recognized as a loan to customers or banks, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognized as due to banks or customers, or as held for trading financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognized in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralized by cash fully available to the lender.

The P&L items connected with these transactions are booked respectively:

- in item Interest, with respect to the positive item (borrower) and the negative item (lender) related to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) related to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralized by other securities, or not collateralized, the security lent or the security put up as collateral are still recognized as assets in the balance sheet, depending on the role - lender or borrower, respectively - played in the transaction.

Counterparty risk related to the latter securities lending or borrowing transactions is shown under the tables of Part E - Section 1 - 1.1 Credit risk - A. Credit quality.

### **Equity instruments**

Equity instruments are instruments that represent a residual interest in Group's assets net of its liabilities.

Classification of an issued instrument as equity is possible only absent contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

In particular the Group classifies as equity instruments those instruments that have the following features:

- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

## Part A - Accounting Policies

Additional Tier 1 instruments are included in this category, in coherence with the provisions of the Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, in addition to the characteristics described above:

- i. maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- ii. do not incorporate provisions that force the issuer to provide for payments (must pay clauses) following genuine events under direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item "150. Equity instruments" for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item "160. Reserves".

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognized in item "160. Reserves".

### Treasury Shares

Changes in treasury shares are reported as a direct contra item to Shareholders' Equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds.

This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognized entirely as a contra item to Shareholders' Equity.

### Finance Leases

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee; ownership of the asset is transferred to the lessee, however not necessarily at contractual maturity.

The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

See Sections 8 - Property, Plant and Equipment and 9 - Intangible Assets below for treatment of the lessee's assets.

### Factoring

Loans acquired in factoring transactions with recourse are recognized to the extent of the advances granted to customers on their consideration.

Loans acquired without recourse are recognized as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Italian Staff Severance Pay (Trattamento di fine rapporto - "TFR")

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognized on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 12 - under Provisions for Risks and Charges - *Retirement Payments and Similar Obligations*). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law No. 252/2005, TFR installments accrued to December 31, 2006, to the date between January 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.

TFR installments accrued since January 1, 2007 (date of Law 252's coming into effect) (or since the date between January 1, 2007 and June 30, 2007) have been, at the employee's discretion, either (i) paid into a pension fund or (ii) left in the company and (where the company has in excess of 50 employees) are paid into an INPS Treasury fund by the employer, are assimilated to a defined-contribution plan.

Costs relating to TFR are recognized in the Income Statement in item "150. Administrative costs: a) staff expense" and include, for the part of obligations already existing at the date of the reform (assimilated to a defined benefit plan), interest cost accrued in the year; for the part of plan considered defined contribution plan, the accrued installments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains (losses), i.e., the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recorded in the Statement of Comprehensive Income and disclosed in the Revaluation reserves according to IAS19 Revised.



## Share-Based Payment

Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:

- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognized as cost in profit and loss item "150. Administrative costs: a) staff expenses" offsetting the Shareholders' Equity item "160. Reserves", on an accruals basis over the period in which the services are rendered.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognized in item "100. Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognized in profit and loss item "150. Administrative costs: a) staff expense".

## Other Long-term Employee Benefits

Long-term employee benefits - e.g. long-service bonuses, paid on reaching a predefined number of years' service - are recognized in item "100. Other liabilities" on the basis of the measurement of the liability at the balance sheet date, also in this case determined by an external actuary using the unit credit projection method (see Section 12 - Provisions for risks and charges - retirement payments and similar obligations). Actuarial gains (losses) on this type of benefit are recognized immediately in the Income Statement.

## Credit derivatives treated as financial guarantees given

Credit derivatives are treated as financial guarantees given, in accordance with IAS39, when they require the issuer to make specified payments to the holder to indemnify the latter for actual losses borne due to the default of a specific debtor on payment at a maturity set by a debt instrument.

The value of initial recognition is equal to their fair value, which is usually the amount received when the guarantee is issued, and is booked under item "100. Other liabilities".

The effects of valuation, related to any impairment of the underlying, are recognized in the same balance-sheet item contra item "130. Net losses/recoveries on impairment: d) other financial transactions" in the income statement.

## Offsetting Financial assets and Financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS32, assessing the fulfillment of the following requirements:

- a) current legally enforceable right to set off the recognized amounts;
- b) intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accordance with IFRS7, further information have been included in the table of Note to the accounts, in Part B - Other information.

In the new tables, in particular, following information have to be reported:

- balance-sheet values, before and after the accounting offsetting effects, related to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (i.e. default events);
- figures of related collaterals.

## Recognition of income and expenses

### *Interest Income and Expense*

Interest income and expense and similar income and expense items relate to monetary items - i.e. liquidity and debt financial instruments (i) held for trading, (ii) measured at fair value through profit or loss or (iii) available for sale, HtM financial assets, loans and receivables, deposits, and securities in issue.

## Part A - Accounting Policies

Interest income and expense are recognized through profit or loss with respect to all instruments measured at amortized cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HFT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HFT assets and liabilities paying differentials or margins on different maturities.

### **Fees and Commissions**

Fees and commissions are recognized according to the provision of the services from which they have arisen.

Securities trading commission is recognized at the time the service is rendered. Investment portfolio management fees, advisory fees and investment fund management fees are recognized on a pro-rata temporis basis.

Fees included in amortized cost used to calculate effective interest rates are not included under fees and commissions, since they are part of the effective interest rate.

### **Dividends**

Dividends are recognized in the profit and loss account for the year in which their distribution has been approved.

### **Relevant definitions for IAS/IFRS**

The main definitions introduced by international accounting principles IAS/IFRS are described below, other than those dealt with in previous sections.

### **Amortized cost**

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

### **Impairment of financial assets**

At each balance sheet date an entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment.

Losses expected as a result of future events, no matter how likely, are not recognized.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to our attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower which the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; however, the disappearance of an active market due to the fact that a company's financial instruments are no longer traded publicly is not - *per se* - evidence of impairment;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment (see Section 2 - Available-for-sale Financial Assets).

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss is recognized in profit and loss item "130. Net losses/recoveries on impairment" and the asset's carrying value is reduced.

With respect to instruments classified as available-for-sale financial assets, this amount is equal to the balance of the negative Revaluation reserve (see Section 2 - Available-for-sale Financial Assets).

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

A reduction in the fair value of a financial asset below its cost or amortized cost is not necessarily an indication of impairment (e.g. reduction in the fair value of an investment in a debt instrument resulting from an increase due only to the risk-free interest rate).

Objective evidence of impairment is initially assessed individually; however, if it is determined that there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and assessed collectively.

Formula-based approaches and statistical methods may be used to assess impairment losses on a group of financial assets. Models used incorporate the time value of money, and consider cash flows over the entire residual life of the asset (not just the following year) and do not give rise to an impairment loss on initial recognition of a financial asset. They take into account losses already sustained but not manifest in the group of financial assets at the time of measurement, on the basis of past experience of losses on assets having a similar credit risk to the group of assets being measured.

The process of estimating impairment losses considers all credit exposures, not only those of low credit quality, which reflect a serious impairment.

### **Reversals of impairment losses**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit worthiness), the previously recognized impairment loss is reversed and the amount of the reversal is recognized in profit and loss item "130. Net losses/recoveries on impairment" except in the case of AfS equity instruments (see Section 2 - Available-for-sale Financial Assets).

The reversal shall not result - at the date the impairment is reversed - in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized.

## Part A - Accounting Policies

### A.3 - Information on transfers between portfolios of financial assets

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

In particular, the following may be reclassified:

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

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

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

As a result the overall impact that would have been recognized in the income statement in 2016, if these assets had not been reclassified, would have been a gain of €277 thousand, while the impact actually recognized was a gain of €64 thousand.

#### A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(€ '000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	BOOK VALUE AS AT 12.31.2016	FAIR VALUE AS AT 12.31.2016	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX)		INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAX)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
Debt securities	Held for trading	Loans to Banks	4,987	4,777	235	42	-	64
Debt securities	Held for trading	Loans to Customers	-	-	-	-	-	-
Debt securities	Available for sale	Loans to Customers	-	-	-	-	-	-
<b>Total</b>			<b>4,987</b>	<b>4,777</b>	<b>235</b>	<b>42</b>	<b>-</b>	<b>64</b>

The income/expense of the assets transferred to loans to customers refer only to structured credit products (other than derivatives).

No further reclassifications were made during 2016, therefore table "A.3.2 Reclassified financial assets: effects on comprehensive Income before reclassification" and information concerning item "A.3.4 Effective interest rate and cash flows expected from reclassified assets" are not provided.

#### A.3.3 Transfer of financial assets held for trading

In application of the provisions of Article 2 of referenced EC Regulation 1004/2008, pursuant to which "the current financial crisis is considered to be such a rare circumstance which would justify the use of this possibility (reclassification) by companies," during the second half of 2008 and first half of 2009, UniCredit S.p.A. reclassified HfT and AfS financial assets consisting of structured credit products (other than derivatives) and debt securities issued by governments, public entities, companies and financial institutions other than derivative contracts and financial instruments containing embedded derivatives. The carrying amount as at December 31, 2016 is shown in table A.3.1.

## A.4 - Information on fair value

### Qualitative information

This section presents a disclosure on fair value as required by IFRS13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (i.e. an exit price).

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments listed in active markets, fair value is determined on the basis of official prices in the principal market to which the Company has access (Mark to Market).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value can be determined on the basis of the relevant market prices for the component parts.

If the observable prices in active market or other observable inputs, such as the quoted price of a similar instrument in an active market, the Company may use another valuation techniques, such as:

- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets).
- cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost).
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Company uses valuation models (Mark to Model) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile. Indeed, these prices/quotations are relevant for determining significant parameters in terms of the credit risk, liquidity risk and price risk of the instrument being valued. Reference to these "market" parameters makes it possible to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified. If, for one or more risk factors, it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Company employs:

- Independent price verifications (IPVs);
- Fair value adjustments (FVAs).

Independent price verification requires that the prices are verified monthly by Financial Risk Management units that are independent from the units that assume the risk exposure.

This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued. This valuation can include the execution of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the info provider to obtain the information.

## Part A - Accounting Policies

### A.4.1 Levels 2 and 3 of the fair value hierarchy: valuation techniques and inputs used

Hereby we provide IFRS13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis, not measured at fair value, or measured at fair value on a non-recurring basis.

#### **Assets and Liabilities measured at fair value on a recurring basis**

##### *Fixed Income Securities*

Fixed Income Securities are priced in a two tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1<sup>9</sup>.

In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a several business days time window in order to obtain a stable monthly indicator.

Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximizes the use of observable input and minimizes the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.

In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

##### *Structured Financial Products*

The Company determines the fair value of structured financial products not quoted on active markets using the appropriate derivative valuation methodology given the nature of the embedded structure (when this is not to be separated). Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

##### *Asset Backed Securities*

UniCredit's relies on internal policies relying on two pillars:

- extension and implementation of an Independent Price Verification (IPV) process suited to the changed market conditions for Structured Credit Bonds;
- integration of current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets.

The process relies in the first instance on consensus data provider as reliable collector of market quotes.

As a second step, prices are assessed by benchmarking each security to a pool of similar securities with available market quotes. An alternative approach consists in evaluating the instrument through the use of quantitative pricing models, which are applicable every time that information regarding market participants assumptions on model parameters are reasonably made available without excessive costs or efforts.

##### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a mark to model valuation technique. In such cases, where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts.

Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

##### *Equity Instruments*

Equity Instruments are assigned to Level 1 when a quoted price is available on a liquid market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. These instruments are classified as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly.

For equity instruments measured at cost an impairment is given, if the carrying amount exceeds the recoverable amount significantly and/or over a prolonged period of time.

<sup>9</sup> As far as Italian Government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely acknowledged as the main liquid platform for this kind of asset.

### *Investment Funds*

The Company holds investments in certain investment funds that publish net asset value (NAV) per share, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. The Company's investments include co-investments in funds that are managed by the Group and investments in funds that are managed by third parties and in particular:

- **Real Estate Funds**

Real Estate Funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, Real Estate Funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.

- **Other Funds**

The Company holds investments also in mutual funds, hedge funds and private equity funds.

Funds are usually assigned to Level 1 when a quoted price is available on an active market.

Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues related to position write off.

When sufficient information for reliable fair value measurements is not available, funds (e.g. hedge funds and private equity) are valued at cost and classified as Available for Sale at Level 3.

With reference to funds valued at cost, an impairment is applied in case the carrying amount is significantly above the recoverable amount or above the carrying amount for a prolonged period of time.

### **Fair value Adjustment (FVA)**

Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. Therefore FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position.

Below a list of adjustments:

- Credit and debit valuation adjustment (CVA/DVA);
- Model Risk;
- Close-out Costs;
- Other Adjustments.

### *Credit and debit valuation adjustment (CVA/DVA)*

Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively.

UniCredit CVA/DVA methodology is based on the following inputs:

- EAD derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises for transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from credit default swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

As of December 31, 2016, net CVA/DVA cumulative adjustment, related to performing counterparts, amounts to €28 million negative; adjustment related to Non-Performing counterparts amounts to €38 million negative.

The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €68 million positive.

### *Funding Cost and Benefit Adjustment (FCA/FBA)*

Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and a Funding Benefit Adjustment (FBA) that indeed accounts for the expected future funding costs/benefits for derivatives that are not fully collateralized. Most material contributors are in-the-money trades with uncollateralized counterparties.

UniCredit FVA methodology is based on the following input:

- Positive and Negative exposure profiles derived leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- A funding spread curve that is representative of the average funding spread of peer Financial Groups.

Such adjustment was previously considered among the capital deduction within the AVA prudential requirements. As of December 31, 2016 the fair value adjustment component is reflected into P&L with a net cumulative adjustment equal to €13 million negative.

## Part A - Accounting Policies

### *Model Risk*

Financial models are used for the valuation of the financial instruments if the direct market quotes are not readily available. In general the model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

### *Close-out Costs*

It measures the implicit costs of closing an (aggregated) trading position. The position could be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. Moreover a close-out adjustment of the NAV is applied when there are some penalties related to position write-off in an investment fund.

### *Other adjustments*

Other fair value adjustments, which are not included into the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

### **Assets and Liabilities not measured at fair value or measured at fair value on a non-recurring basis**

Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.

For these instruments fair value are calculated for disclosure purposes only and do not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

### *Cash and cash balances*

Cash and cash balances are not carried at fair value on the Consolidated Balance Sheets, but they are carried at amounts that approximate fair value, due to their short term nature and generally negligible credit risk.

### *Held-to-maturity investments*

Considering that held to maturity investments are mainly composed by securities, fair value for this asset class is determined according to what above explained in section "Assets and Liabilities measured at fair value on a recurring basis - Fixed Income Securities".

### *Loans and Receivables to banks and customers*

Fair value for performing Loans and Receivables to banks and customers, recorded at amortized cost, is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

### *Property, plant and equipment held for investment purposes*

The fair value of property, plant and equipment held for investment purposes is determined on the basis of a valuation by an independent appraiser who holds a recognized and relevant professional qualification which perform its valuation mainly on the basis of an indirect knowledge of the assets through the information made available by the owner and relative to the localization, consistency, destination and in consideration of market analysis.

The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

### *Debt securities in issue*

Fair value for debt securities in issue, recorded at amortized cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCI's subordinated and non-subordinated risk curves.

### *Other liabilities*

Fair value for liabilities, recorded at amortized cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCI's senior and subordinated risk curves.



### **Description of the valuation techniques**

Specific valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Company uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and 3 assets and liabilities, are described as follows:

#### *Option Pricing Model*

Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

#### *Discounted cash flow*

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flows.

#### *Hazard Rate Model*

The valuation of CDS instruments requires the knowledge of the entity's survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate.

The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

#### *Market Approach*

A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

#### *Gordon Growth Model*

This is the model used to determine the intrinsic value of an equity investment, based on a series of future dividends which grow at a constant rate. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the present value of future dividends.

#### *Dividend Discount Model*

This model is used to determine the value of an equity investment, based on the series of predicted future dividends. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the fair value of an equity share as the sum of the present value of all future dividends.

#### *Adjusted NAV*

Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measure. Usually for funds classified as Level 3, NAV represents a risk free valuation, therefore in this case the NAV is adjusted so as to consider the issuer's default risk.

### **Description of the inputs used to measure the fair value of items categorized in Level 2 and 3**

Hereby a description of the main significant inputs used to measure the fair value of items categorized in Level 2 and 3 of the fair value hierarchy.

#### *Volatility*

Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.

There are different types of volatility: volatility of interest rate, inflation volatility, volatility of foreign exchange and volatility of equity stocks, equity or other indices.

## Part A - Accounting Policies

### *Correlation*

Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, favorable or unfavorable, on the fair value of an instrument, depending on the type of correlation.

Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

### *Dividends*

The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question. The dividend yield and timing represents the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

### *Interest rate curve*

The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency.

Less liquid currencies interest curve refer to the rates in currencies for which doesn't exist a market liquidity in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

### *Inflation Swap rate*

The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance. The illiquidity of those inputs has an indirect impact on the valuation of a debt instrument linked to inflation (inflation-linked note) or in case of a derivative over inflation.

### *Credit spreads*

Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either U.S. Treasury or LIBOR/EURIBOR and is generally expressed in terms of basis points. The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

### *Loss Given Default (LGD)/Recovery Rate*

LGD also known as loss severity (the inverse concept is the recovery rate) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relative to the outstanding balance. An increase in the loss severity, in isolation, would result in a decrease in a fair value measure. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

### *Price*

Where market prices are not observable, comparison via proxy is used to measure a fair value.

### *Prepayment Rate (PR)*

The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security. In general as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

### *Probability of Default (PD)*

The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also the economic environment and the degree to which it affects the obligor.

### *Early conversion*

The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

### EBITDA

EBITDA is an indicator of the current operating profitability of the business, that is the income generated by the use of the company's assets and the commercialization of the products manufactured.

### Ke

The Ke (cost of capital) represents the minimum rate that the company has to offer to its shareholders as remuneration for the capital received.

### Growth rate

It is the constant growth rate used for the future dividends estimate.

### Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorized as Level 3

The following table shows, for each product category, the amount of Assets and Liabilities measured at fair value and the range of variation of unobservable parameters, across the whole portfolio, as monitored by Risk Management functions.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	VALUATION TECHNIQUES	UNOBSERVABLE PARAMETERS	RANGE		
Derivatives	Financial	Equity & Commodities	67.82	45.41	Discounted Cash Flows	Swap Rate (% of used value)	10% 130%	
						Option Pricing Model	Volatility	10% 120%
		Foreign Exchange	122.19	81.78	Option Pricing Model	Correlation	-95% 95%	
						Discounted Cash Flows	Volatility	1% 40%
		Interest Rate	566.09	378.87	Discounted Cash Flows	Interest rate	-25% 20%	
						Option Pricing Model	Swap Rate (bps)	-40 bps 1000 bps
							Inflation Swap Rate	0 bps 230 bps
						Inflation Volatility	1% 10%	
		Interest Rate Volatility	1% 100%					
		Correlation	0% 100%					
Debt Securities and Loans	Corporate/ Government/ Other	32.37	0.00	Market Approach	Price (% of used value)	0% 146%		
					Mortgage & Asset Backed Securities	0.00	0.00	Discounted Cash Flows
	LGD	20% 70%						
	Default Rate	1% 3.0%						
	Equity Securities	Unlisted Equity & Holdings	601.09	0.00	Market Approach	Prepayment Rate	0% 30%	
Gordon Growth Model						Price (% of used value)	0% 100%	
	Units in Investment Funds	Real Estate & Other Funds	518.84	0.00	Adjusted Nav	Ke	2.5% 21.0%	
Growth Rate						0.5% 3.0%		
					PD	1% 30%		
					LGD	35% 60%		

## Part A - Accounting Policies

### A.4.2 Valuations processes and sensitivities

The Company verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as discounted cash flow and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and benchmarking. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the bid/ask spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is of evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily mark to market or mark to model valuation, the Independent Price Verification (IPV) is applied with the aim of guaranteeing a fair value provided by an independent Market Risk function for all instruments including those illiquid.

#### **Fair value sensitivity to variations in unobservable inputs used in the fair value computation for instruments categorized as Level 3**

The direction of sensitivity for instruments categorized at level 3 of fair value hierarchy to variations in significant unobservable inputs is supplied in the following table. For fair value computations where significant unobservable input are employed (Level 3), the sensitivity analysis is performed using a range of reasonable alternatives for the unobservable parameters.

The Company takes into account that the impact of unobservable inputs in the fair value computation of level 3 financial instruments, depends on the correlation among different inputs used in the valuation technique. Furthermore, the effect of unobservable input variation has an impact on the amount and the direction of fair value measurement, also according to the instrument nature and sign.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
<b>Derivatives</b>	Financial	Commodities	+/- -
		Foreign Exchange	+/- 4.02
		Interest Rate	+/- 9.17
	Credit	+/- 6.39	
<b>Debt Securities and Loans</b>	Corporate/Government/Other	+/- 0.48	
	Mortgage & Asset Backed Securities	+/- -	
<b>Equity Securities</b>	Unlisted Equity & Holdings	+/- 186.57	
<b>Units in investment funds</b>	Real Estate & Other Funds	+/- 77-202 <sup>(*)</sup>	

(\*) Evaluative range.

Within the unlisted Level 3 Units in Investment Funds, measured using a model, are classified the shares in Atlante Fund (€138.5 million at December 31, 2016) and, within Equity Securities, the investments in "Schema Volontario" (as at December 31, 2016 equal to zero).

The quantitative disclosure presented in this section include the effects of changes in the unobservable parameters in the valuation of Atlante Fund. For further information, please refer to see Part B - Section 4 - Available for sale.

### A.4.3 Fair value hierarchy

The IFRS13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.

A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

- level 1: fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- level 3: fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active markets.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

**Level 1 (quoted prices in active markets):** quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which orderly transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an on-going basis (e.g. MTS market about prices for most of the government bonds therein traded).

**Level 2 (observable inputs):** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

**Level 3 (unobservable inputs):** inputs other than the ones included in level 1 and level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

When fair value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When fair value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

Within the choice among various valuation techniques the Group employs the one which maximizes the use of observable inputs.

#### **Transfers between fair value hierarchy levels**

The main drivers to transfers in and out the FV levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.

Quantitative and qualitative details about transfers between FV levels occurred in the period is presented in part A.4.5 - Fair Value Hierarchy.

### A.4.4 Other information

The Company uses the IFRS13 exception for fair value measurements on a net basis with reference to financial assets and liabilities with offsetting positions of market risk or counterparty credit risk.

## Part A - Accounting Policies

## Quantitative information

## A.4.5 Fair value hierarchy

The following tables presents the portfolios breakdown in terms of (i) financial assets and liabilities valued at fair value as well as (ii) assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis, according to the above mentioned levels.

## A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ '000)

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	6,165,987	7,104,306	756,100	6,502,186	6,549,386	669,072
2. Financial assets at fair value through P&L	1,064	145,193	13,024	1,101	285,088	52,106
3. Available for sale financial assets	60,987,481	2,006,606	1,139,229	62,248,560	2,117,030	652,286
4. Hedging derivative assets	3,057	6,092,834	-	-	6,405,357	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>67,157,589</b>	<b>15,348,939</b>	<b>1,908,353</b>	<b>68,751,847</b>	<b>15,356,861</b>	<b>1,373,464</b>
1. Financial liabilities held for Trading	6,526,784	7,524,210	506,042	3,534,631	6,600,588	536,333
2. Financial liabilities at fair value through P&L	-	2,102,895	-	-	-	-
3. Hedging derivative liabilities	11,782	6,115,078	15	-	6,629,590	29
<b>Total</b>	<b>6,538,566</b>	<b>15,742,183</b>	<b>506,057</b>	<b>3,534,631</b>	<b>13,230,178</b>	<b>536,362</b>

## Legend:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Transfers between level of fair value occurring between December 31, 2015 and December 31, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level.

The sub-item 3. Available-for-sale financial assets at level 3 as of December 31, 2016 does not include €392 million measured at cost (€407 million as of December 31, 2015). It does include the investment in Atlante fund (carrying value €138.5 million), underwritten in the period.

See Part B - Section 4 - Available for sale for further information.

Other than the transfers relating to the financial assets and liabilities measured at level 3, detailed in the sections below, it is noted that, during first half 2016, the only significant transfers between level 1 and level 2 is related to €60 million euro of financial activities available for sale transferred from level 1 to level 2.

#### A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ '000)

	CHANGES IN 2016					
	HELD FOR TRADING FINANCIAL ASSETS	AT FAIR VALUE THROUGH P&L FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
<b>1. Opening balances</b>	<b>669,072</b>	<b>52,106</b>	<b>652,286</b>	-	-	-
<b>2. Increases</b>	<b>1,141,183</b>	<b>15,866</b>	<b>1,454,734</b>	-	-	-
2.1 Purchases	439,299	15,000	1,234,249	-	-	-
2.2 Profits recognized in:	701,884	70	119,210	-	-	-
2.2.1 Income Statement	701,884	70	109,533	-	-	-
- of which Unrealized gains	542,007	67	-	-	-	-
2.2.2 Equity	X	X	9,677	-	-	-
2.3 Transfers from other levels	-	-	75,308	-	-	-
2.4 Other increases	-	796	25,967	-	-	-
<b>3. Decreases</b>	<b>1,054,155</b>	<b>54,948</b>	<b>967,791</b>	-	-	-
3.1 Sales	226,885	16,696	229,963	-	-	-
3.2 Redemptions	2	-	15,347	-	-	-
3.3 Losses recognized in:	827,234	38,252	635,527	-	-	-
3.3.1 Income Statement	827,234	38,252	620,388	-	-	-
- of which Unrealized losses	416,331	37,747	28,647	-	-	-
3.3.2 Equity	X	X	15,139	-	-	-
3.4 Transfers to other levels	34	-	3,595	-	-	-
3.5 Other decreases	-	-	83,359	-	-	-
<b>4. Closing balances</b>	<b>756,100</b>	<b>13,024</b>	<b>1,139,229</b>	-	-	-

The sub-category "2. Increases" and "3 Decreases" in financial assets are included in the Profit and Loss in the following items:

- Item 80: Gains (Losses) on financial assets and liabilities held for trading;
- Item 110: Gains (Losses) on financial assets/liabilities at fair value through profit or loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-category "2.2 Profits" and the sub-category "3.3 Losses" on fair value on financial assets and liabilities available for sale are accounted in item "130. Revaluation reserves" of shareholder's equity - with the exception of impairment and gains and losses on exchange rates on monetary assets (debt securities) which are reported respectively within item "130. Net losses/recoveries on impairment: b) available-for-sale financial assets" and item "80. Gains and losses on financial assets and liabilities held for trading" until the financial asset is not sold, instant in which cumulative gains and losses are reported at Profit & loss at item "100. Gains (Losses) on financial assets and liabilities: b) available-for-sale financial investments".

Transfers between level of fair value occurring between December 31, 2015 and December 31, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution.

## Part A - Accounting Policies

## A.4.5.3 Annual changes in liabilities at fair value on a recurring basis (level 3)

(€ '000)

	CHANGES IN 2016		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>536,333</b>	-	<b>29</b>
<b>2. Increases</b>	<b>960,858</b>	-	<b>15</b>
2.1 Issuance	399,023	-	15
2.2 Losses recognized in:	561,835	-	-
2.2.1 Income Statement	561,835	-	-
<i>- of which Unrealized losses</i>	<i>387,232</i>	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
<b>3. Decreases</b>	<b>991,149</b>	-	<b>29</b>
3.1 Redemptions	175,307	-	-
3.2 Purchases	-	-	-
3.3 Profits recognized in:	815,842	-	29
3.3.1 Income Statement	815,842	-	29
<i>- of which Unrealized gains</i>	<i>416,818</i>	-	<i>14</i>
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
<b>4. Closing balances</b>	<b>506,042</b>	-	<b>15</b>

The sub-category "2. Increases" and "3. Decreases" in financial liabilities are included in the Profit and Loss in the following items:

- Item 80: Gains (Losses) on financial assets and liabilities held for trading;
- Item 110: Gains (Losses) on financial assets/liabilities at fair value through profit or loss;
- Item 90: Fair value adjustments in hedge accounting.

Transfers between level of fair value occurring between December 31, 2015 and December 31, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution.



**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level**

(€ '000)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Held-to-maturity investments	755,171	23,653	748,853	-	751,808	24,393	755,294	-
2. Loans and receivables with banks	22,349,104	31,946	11,396,824	11,505,985	22,062,499	-	16,052,764	6,175,011
3. Loans and receivables with customers	213,236,760	-	117,297,806	99,974,552	215,174,711	-	116,057,800	106,676,007
4. Property, plant and equipment held for investment	636,652	-	-	859,748	667,361	-	-	883,064
5. Non-current assets and disposal groups classified as held for sale	7,438,961	-	2,951,098	-	238,359	-	21,760	-
<b>Total</b>	<b>244,416,648</b>	<b>55,599</b>	<b>132,394,581</b>	<b>112,340,285</b>	<b>238,894,738</b>	<b>24,393</b>	<b>132,887,618</b>	<b>113,734,082</b>
1. Deposits from banks	44,380,507	-	38,128,886	6,037,515	37,466,490	-	18,657,568	18,981,610
2. Deposits from customers	196,520,934	-	43,710,307	152,152,318	181,573,566	10,922	40,762,935	141,119,286
3. Debt securities in issue	83,126,805	36,926,497	43,868,007	4,252,712	97,311,533	43,496,569	52,317,247	5,011,061
4. Liabilities included in disposal groups classified as held for sale	2,544	-	-	-	-	-	-	-
<b>Total</b>	<b>324,030,790</b>	<b>36,926,497</b>	<b>125,707,200</b>	<b>162,442,545</b>	<b>316,351,589</b>	<b>43,507,491</b>	<b>111,737,750</b>	<b>165,111,957</b>

Legend:  
L1 = Level 1  
L2 = Level 2  
L3 = Level 3

Between December 31, 2015 and December 31, 2016 changes in the ratio between fair value and book value for loans and receivables to banks and customers reflect the enhancement of the methodology and the parameters adopted for the fair value calculation for disclosure and the evolution in the benchmark interest rate, in the risk premium and in the probability of default depending on or deriving from markets trend.

The above phenomenon together with the evolution of the approach to identify the significance of non-observable inputs has been reflected in fair value hierarchy level distribution.

Sub item "5. Non-current assets and disposal groups classified as held for sale" contains also €4,488 million measured at cost (see Part B - Section 14, table 14.1).

Sub item 4. Liabilities included in disposal groups classified as held for sale contains also €3 million measured at cost (see Part B - Section 15, table 15.1).

## Part A - Accounting Policies

### A.5 - Information on “day one profit/loss”

The value at which financial instruments are recognized is equal to their fair value on the same date.

The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see sections 1 and 14 of part A.2 above) and instruments designated at fair value (see sections 5 and 15 of part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognized in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognized in the profit and loss account, but changes the balance sheet value of these instruments. Recognition of this portion in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognized.

At December 31, 2016, as well as at December 31, 2015, there were no value adjustments to reflect model risk (amount not recognized though profit or loss).





## Part B - Balance Sheet

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## Part B - Balance Sheet - Assets

## Assets

## Section 1 - Cash and cash balances - Item 10

## 1.1 Cash and cash balances: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
a) Cash	1,384,137	1,390,393
b) Demand deposits with Central banks	467,695	1,069,730
<b>Total</b>	<b>1,851,832</b>	<b>2,460,123</b>

The change in the item "Demand deposits with Central Banks" is mainly attributable to the decrease in cash invested by foreign branches with local central banks.

## Section 2 - Financial assets held for trading - Item 20

## 2.1 Financial assets held for trading: product breakdown

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A) Financial assets (non-derivatives)</b>						
<b>1. Debt securities</b>	<b>6,164,777</b>	<b>104</b>	<b>-</b>	<b>6,500,771</b>	<b>156</b>	<b>2</b>
1.1 Structured securities	-	-	-	-	6	-
1.2 Other debt securities	6,164,777	104	-	6,500,771	150	2
<b>2. Equity instruments</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>
<b>3. Units in investment funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total (A)</b>	<b>6,164,816</b>	<b>104</b>	<b>-</b>	<b>6,500,771</b>	<b>156</b>	<b>34</b>
<b>B) Derivative instruments</b>						
<b>1. Financial derivatives</b>	<b>1,171</b>	<b>7,104,202</b>	<b>756,100</b>	<b>1,415</b>	<b>6,549,230</b>	<b>669,038</b>
1.1 Trading	1,171	6,871,776	541,785	1,415	6,339,352	594,428
1.2 Related to fair value option	-	-	152,952	-	-	1,028
1.3 Other	-	232,426	61,363	-	209,878	73,582
<b>2. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Trading	-	-	-	-	-	-
2.2 Related to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total (B)</b>	<b>1,171</b>	<b>7,104,202</b>	<b>756,100</b>	<b>1,415</b>	<b>6,549,230</b>	<b>669,038</b>
<b>Total (A+B)</b>	<b>6,165,987</b>	<b>7,104,306</b>	<b>756,100</b>	<b>6,502,186</b>	<b>6,549,386</b>	<b>669,072</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>14,026,393</b>			<b>13,720,644</b>

The change in "A) Financial assets - 1. Debt securities" derives from primary dealer and market maker transactions on government bonds ("Markets" transactions).

"B) Derivative instruments - 1. Financial derivatives - 1.3 Other" comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category other than held-for-trading or fair value option and (ii) derivatives that, for economic purposes, are related to banking book entries.

## 2.2 Financial assets held for trading: breakdown by issuer/borrower

(€ '000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>A. Financial assets (non-derivatives)</b>		
<b>1. Debt securities</b>	<b>6,164,881</b>	<b>6,500,929</b>
a) Governments and Central Banks	6,164,863	6,500,779
b) Other public-sector entities	-	-
c) Banks	12	144
d) Other issuers	6	6
<b>2. Equity instruments</b>	<b>39</b>	<b>32</b>
a) Banks	-	-
b) Other issuers	39	32
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	39	32
- other	-	-
<b>3. Units in investment funds</b>	-	-
<b>4. Loans</b>	-	-
a) Governments and Central Banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total A</b>	<b>6,164,920</b>	<b>6,500,961</b>
<b>B. Derivative instruments</b>		
a) Banks	4,126,777	3,401,619
b) Customers	3,734,696	3,818,064
<b>Total B</b>	<b>7,861,473</b>	<b>7,219,683</b>
<b>Total (A+B)</b>	<b>14,026,393</b>	<b>13,720,644</b>

## Part B - Balance Sheet - Assets

## Section 3 - Financial assets at fair value through profit or loss - Item 30

## 3.1 Financial assets at fair value through profit or loss: breakdown by product

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>1,036</b>	<b>94</b>	<b>13,022</b>	<b>1,101</b>	<b>55,449</b>	<b>14,008</b>
1.1 Structured securities	-	7	-	-	1	-
1.2 Other debt securities	1,036	87	13,022	1,101	55,448	14,008
<b>2. Equity instruments</b>	-	-	<b>2</b>	-	-	<b>38,098</b>
<b>3. Units in investment funds</b>	<b>28</b>	<b>145,099</b>	-	-	<b>229,639</b>	-
<b>4. Loans</b>	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total</b>	<b>1,064</b>	<b>145,193</b>	<b>13,024</b>	<b>1,101</b>	<b>285,088</b>	<b>52,106</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>159,281</b>			<b>338,295</b>		

The item "debt securities", in addition to some Italian government securities, also includes some bonds convertible into ordinary shares of the issuer. The item "Equity instruments" reduces following devaluation of investment into Astrim S.p.A. The item "Units in investment funds" includes units of Pioneer funds.

## 3.2 Financial assets at fair value through profit or loss: breakdown by issuer/borrower

(€ '000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Debt securities</b>	<b>14,152</b>	<b>70,558</b>
a) Governments and central banks	1,036	1,102
b) Other public-sector entities	-	-
c) Banks	94	2
d) Other issuers	13,022	69,454
<b>2. Equity instruments</b>	<b>2</b>	<b>38,098</b>
a) Banks	2	2
b) Other issuers:	-	38,096
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	38,096
- other	-	-
<b>3. Units in investment funds</b>	<b>145,127</b>	<b>229,639</b>
<b>4. Loans</b>	-	-
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>159,281</b>	<b>338,295</b>



## Section 4 - Available-for-sale financial assets - Item 40

### 4.1 Available for sale financial assets:breakdown by product

(€ '000)

	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>60,822,148</b>	<b>699,624</b>	<b>19,348</b>	<b>62,157,191</b>	<b>661,709</b>	<b>37,278</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	60,822,148	699,624	19,348	62,157,191	661,709	37,278
<b>2. Equity instruments</b>	<b>159,423</b>	<b>1,280,259</b>	<b>771,042</b>	<b>84,328</b>	<b>1,429,861</b>	<b>488,522</b>
2.1 Measured at fair value	159,423	1,280,259	600,962	84,328	1,429,861	313,447
2.2 Carried at cost	-	-	170,080	-	-	175,075
<b>3. Units in investment funds</b>	<b>5,911</b>	<b>26,723</b>	<b>740,506</b>	<b>7,041</b>	<b>25,460</b>	<b>533,358</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>60,987,482</b>	<b>2,006,606</b>	<b>1,530,896</b>	<b>62,248,560</b>	<b>2,117,030</b>	<b>1,059,158</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>64,524,984</b>			<b>65,424,748</b>

The change into Available for Sale financial instrument is attributable to changes in investments in debt securities, mainly relating to the decrease in value and volumes of investments in, primarily Italian, sovereign instruments.

Available-for-sale financial assets include securities purchased by some of our internal pension funds, which do not have legal status or independent own means.

Sub-item "2.1. Equity securities at fair value" includes (i) Banca d'Italia stake (presented among level 2 instruments), with a value of €1,241 million and (ii) ABH Holding SA investments (presented among level 3 instruments and being hedged agst Fx Risk) acquired in contemplation of the sale of PJSC Ukrsofbank to Alfa Group, with a value of €395 million as at December 31, 2016. Investment in the "Schema Volontario" (qualified as level 3 instruments) has been booked for €44 million and entirely impaired as at December 2016.

Sub-item "3. Units in investments fund" includes Atlante Fund stake (presented among level 3 instruments with a value of €686 million, impaired at December 2016 for €547 million) and Atlante II Fund stake (presented among level 3 instruments with a value of €1 million).

Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input.

For further information see Part A - Accounting Policies - A.4 Information on fair value.

### Information about the shareholding in Banca d'Italia

Starting from the third quarter of 2015, UniCredit began the disposal of its stake in Banca d'Italia, for an amount corresponding to its carrying value. UniCredit completed, till now, the disposal of ca. 5.6% of Banca d'Italia share capital, reducing its shareholding to 16.5% (book value of €1,241 million).

The shares are the result of a capital increase carried out in 2013 when, in order to facilitate the redistribution of shares, a limit of 3% was introduced in respect of holding shares, establishing that after an adjustment period of no more than 36 months starting from December 2013, no voting rights would be applicable to shares exceeding the above limit. In accordance with the Law, the shareholdings can belong to: banks and insurance and re-insurance companies that have their registered and head offices in Italy; foundations pursuant to Art.27 of Italian Legislative Decree No.153 of May 17, 1999; pension and insurance entities and institutions with head office in Italy established in terms of Art. 4, paragraph 1 of Legislative Decree No.252 of December 5, 2005.

During 2015 and 2016, shareholders with excess shares began selling, finalizing sales for around 16.6% of the total capital. With the objective of facilitating the redistribution of excess shares, Banca d'Italia's Governing Board began a process of dematerializing shareholdings in the Bank's capital, passing a resolution to transfer them to the central securities depository at Monte Titoli S.p.A., with effect from January 18, 2016. The book value at December 31, 2016, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Banca d'Italia at the time of the capital increase in 2013, is supported by the price for the transactions that took place during 2015 and 2016. The relevant measurement was confirmed as level 2 in the fair value classification. Initiatives aimed at selling the shares exceeding the 3% limit are underway, with the completion of this process constituting a significant factor for the sustainability of value in the near future. The development of the secondary market should accelerate the completion of the redeployment of Banca d'Italia' share capital.

With regard to regulatory treatment at December 31, 2016 (effects on regulatory capital and capital ratios):

- the value of the investment measured at fair value in the balance sheet is given a weighting of 100% (in accordance with Article 133 "Exposures in Equity Instruments" of the CRR);
- the revaluation recognized through profit or loss at December 31, 2013 is not subject to the filter.

## Part B - Balance Sheet - Assets

### Information about the units of Atlante and Atlante II funds

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law (the "Atlante fund"), reserved to professional investors, and managed by Quaestio Capital Management SGR S.p.A. Unipersonale (the "Quaestio SGR"). The size of the fund was equal to €4.249 million, of which UniCredit S.p.A. invested for about 19.9%.

The investment policy of Atlante foresees that the fund may be invested (i) in banks with regulatory capital ratios lower than the minimum level set down in the SREP process and, thus, realize, upon request of the supervisory authority, actions of capital strengthening through capital increases and (ii) in Non-Performing Loans (NPLs) of a plurality of Italian banks.

On April 2016 UniCredit S.p.A. has signed an agreement with Quaestio SGR, an independent asset management company that manages the Atlante fund, for the sub-underwriting Atlante with reference to the commitments granted by UniCredit S.p.A. in the context of the capital increase of Banca Popolare di Vicenza.

On May 2016, acknowledging the announcement by the Italian Stock Exchange that did not allow the start of the trading on MTA of the ordinary shares of Banca Popolare di Vicenza S.p.A., Quaestio SGR has announced the upcoming underwriting (in the name, on behalf and in the interest of Atlante) of n.15 billion of newly issued ordinary shares of the Bank for a price of Euro 0.10 per share and a total consideration of 1.5 billion. Atlante obtained hence an investment representing 99.33% of share capital of Banca Popolare di Vicenza S.p.A..

On June 30, 2016, acknowledging the final outcome of the Global Offer of Veneto Banca S.p.A. shares, Quaestio SGR has underwritten (in the name, on behalf and in the interest of Atlante) n. 9,885,823,295 of newly issued ordinary shares of the Bank for a price of €0.10 per share and a total consideration of €988,582,329.50. Atlante obtained hence an investment representing 97.64% of share capital of Veneto Banca S.p.A..

On August 2016, it was launched the Atlante II fund (the "Atlante II fund"), a closed-end investment alternative fund reserved to professional investors, also managed by Quaestio SGR, which, unlike the Atlante fund, may invest only in NPL and instruments linked to NPL transactions (such as warrants) in order to reduce the risk in line with the parameters used by the largest world institutional investors.

On December 21, 2016, Quaestio SGR has committed (in the name and on behalf of Atlante fund) for future payments (to be made by January 5 2017) connected to Banca Popolare di Vicenza S.p.A. e Veneto Banca S.p.A. capital increases, respectively for €310 million and €628 million (partially paid on December 31, 2016 respectively for €164 million and €332 million).

As of December 31, 2016 UniCredit S.p.A.:

- with reference to Atlante fund holds No.845 shares (out of No.4,249 total shares), with a carrying value, in line with the subscription price, of €686 million (equal to amounts already paid), classified as financial assets available for sale. After the evaluation update of the units held as at December 2016 according to an internal evaluation model based on multiples of a banking baskets, integrated with estimates on Atlante's banks NPL credit portfolio and related equity/capital needs, an impairment for €547 million has been recognized. In addition UniCredit S.p.A. has a residual commitment to invest in Atlante for additional €159 million;
- with reference to Atlante II fund holds shares with a carrying value, in line with the subscription price, of €1.1 million (equal to amounts already paid), classified as financial assets available for sale. In addition UniCredit S.p.A. has a residual commitment to invest in Atlante for additional €154 million.

The regulatory treatment of the units of Atlante and Atlante II funds reflect the application of the look-through method to the underlying investments, i.e. as at December 31, 2016 the stakes indirectly held in Banca Popolare di Vicenza and Veneto Banca. A credit conversion facto of 100% has been allocated to the commitments of both funds, qualified as "high risk".

### Information about the investment in the "Schema Volontario"

UniCredit S.p.A. has joined to the "Schema volontario" (the "Schema Volontario"), introduced by FITD, with appropriate modification of its statute, in November 2015. The "Schema Volontario" is an instrument for the resolution of bank crises through support measures in favor of its member banks, if specific conditions laid down by the legislation occurring. The "Schema Volontario" has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions.

The "Schema Volontario", as a private entity, has provided in April 2016 the restructuring of the support of the action that FITD had operated in July 2014 in favor of Bank Tercas, operation that generated no further charges for participating banks. Subsequently, the participating size of the "Schema Volontario" was increased up to €700 million (share of total investments attributable to UniCredit S.p.A., according to the most recent updates, amounted to approximately €110 million).

In this context, on June 2016 the "Schema Volontario" approved an action in support of Cassa di Risparmio di Cesena, in relation to a capital increase approved by the same bank on June 8, 2016 for about €280 million (commitment relating to UniCredit S.p.A. amounted to €44 million).

On September 30, 2016 this commitment has been converted into a monetary payment which has led to the recognition of capital instruments classified as "available for sale" for €44 million (consistent with the monetary payment), with a consequent reduction of the commitment to the "Schema Volontario" to €66 million. Update of evaluation of the instruments as at December 2016, according to an internal evaluation model based on multiples of a banking baskets, integrated with estimates on Bank's credit portfolio and related equity/capital needs, has brought to full impairment of the position.

#### 4.2 Available-for-sale financial assets: breakdown by issuer/borrower

(€ '000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Debt securities</b>	<b>61,541,120</b>	<b>62,856,178</b>
a) Governments and central banks	56,578,925	57,174,486
b) Other public-sector entities	230,478	221,249
c) Banks	3,985,292	4,613,809
d) Other issuers	746,425	846,634
<b>2. Equity instruments</b>	<b>2,210,724</b>	<b>2,002,711</b>
a) Banks	1,400,933	1,561,900
b) Other issuers:	809,791	440,811
- insurance companies	7,139	8,038
- financial companies	457,030	92,104
- non-financial companies	345,622	340,669
- other	-	-
<b>3. Units in investment funds</b>	<b>773,140</b>	<b>565,859</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>64,524,984</b>	<b>65,424,748</b>

#### 4.3 Available-for-sale financial assets subject to micro-hedging

(€ '000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Financial assets subject to micro-hedging of fair value</b>	<b>57,059,950</b>	<b>56,606,189</b>
a) Interest rate risk	56,664,516	56,606,189
b) Price risk	-	-
c) Currency risk	395,434	-
d) Credit risk	-	-
e) Multiple risks	-	-
<b>2. Financial assets subject to micro-hedging of cash flows</b>	<b>-</b>	<b>-</b>
a) Interest rate risk	-	-
b) Currency risk	-	-
c) Other	-	-
<b>Total</b>	<b>57,059,950</b>	<b>56,606,189</b>

Volumes of financial assets subject to fair value micro-hedging for currency risk refers to the investments of 9.9% into ABH Holding SA shares.

## Part B - Balance Sheet - Assets

## Section 5 - Held-to-maturity investments - Item 50

## 5.1 Held-to-maturity investments: breakdown by product

(€ '000)

	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>755,171</b>	<b>23,653</b>	<b>748,853</b>	<b>-</b>	<b>751,808</b>	<b>24,393</b>	<b>755,294</b>	<b>-</b>
- Structured securities	-	-	-	-	-	-	-	-
- Other securities	755,171	23,653	748,853	-	751,808	24,393	755,294	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>755,171</b>	<b>23,653</b>	<b>748,853</b>	<b>-</b>	<b>751,808</b>	<b>24,393</b>	<b>755,294</b>	<b>-</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>772,506</b>				<b>779,687</b>	

The held-to-maturity investments are represented mainly by Italian government bonds.

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input for market disclosure purposes only.

For further information see Part A - Accounting Policies - A.4 Information on fair value.

## 5.2 Held-to-maturity investments: breakdown by issuer/borrower

(€ '000)

TYPE OPERATIONS/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Debt securities</b>	<b>755,171</b>	<b>751,808</b>
a) Governments and central banks	755,171	751,808
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>755,171</b>	<b>751,808</b>

## Section 6 - Loans and receivables with banks - Item 60

### 6.1 Loans and receivables with banks: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans to Central Banks</b>	<b>8,823,662</b>	-	-	8,823,661	<b>2,035,012</b>	-	-	2,035,012
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserves	8,823,571	X	X	X	2,034,009	X	X	X
3. Reverse repos	-	X	X	X	-	X	X	X
4. Other	91	X	X	X	1,003	X	X	X
<b>B. Loans to banks</b>	<b>13,525,442</b>	<b>31,946</b>	<b>11,396,824</b>	<b>2,682,324</b>	<b>20,027,487</b>	-	<b>16,052,764</b>	<b>4,139,999</b>
<b>1. Loans</b>	<b>13,145,067</b>	-	11,022,095	2,672,820	<b>13,572,521</b>	-	<b>9,414,584</b>	<b>4,125,700</b>
1.1 Current accounts and demand	1,355,155	X	X	X	4,108,575	X	X	X
1.2 Time deposits	1,214,971	X	X	X	473,111	X	X	X
1.3 Other loans	10,574,941	X	X	X	8,990,835	X	X	X
- Reverse repos	4,353,464	X	X	X	7,353,436	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	6,221,477	X	X	X	1,637,399	X	X	X
<b>2. Debt securities</b>	<b>380,375</b>	31,946	374,729	9,504	<b>6,454,966</b>	-	<b>6,638,180</b>	<b>14,299</b>
2.1 Structured	-	X	X	X	-	X	X	X
2.2 Other	380,375	X	X	X	6,454,966	X	X	X
<b>Total</b>	<b>22,349,104</b>	<b>31,946</b>	<b>11,396,824</b>	<b>11,505,985</b>	<b>22,062,499</b>	-	<b>16,052,764</b>	<b>6,175,011</b>
<b>Total impaired assets</b>	<b>1,327</b>				<b>3,123</b>			

Due to the merger of UniCredit Bank Austria segment of business, debt securities issued by UniCredit Bank Austria belonging to the segment and purchased by UniCredit S.p.A. have been cancelled due to the effect of the merger, thus resulting in a reduction into debt securities.

Loans and receivables with banks are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

It should be noted that securities lending transactions collateralized by other securities or not collateralized are shown under "off-balance sheet" exposures in table A.1.3 of Part E - Section 1 - Credit Risk, in accordance with current Banca d'Italia regulations. See also the section "Other information of Part B.

## Part B - Balance Sheet - Assets

## Section 7 - Loans and receivables with customers - Item 70

## 7.1 Loans and receivables with customers: breakdown by product

(€ '000)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 12.31.2016						AMOUNTS AS AT 12.31.2015					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	NON-PERFORMING			LEVEL 1	LEVEL 2	LEVEL 3	NON-PERFORMING			LEVEL 1	LEVEL 2	LEVEL 3
	PERFORMING	PURCHASED	OTHERS				PERFORMING	PURCHASED	OTHERS			
<b>Loans</b>	<b>193,877,780</b>	<b>14,867</b>	<b>15,978,309</b>	-	<b>114,360,710</b>	<b>99,554,552</b>	<b>187,241,571</b>	<b>41,619</b>	<b>26,322,329</b>	-	<b>115,196,265</b>	<b>105,898,516</b>
1. Current accounts	16,304,155	3,182	2,125,960	X	X	X	19,907,235	21,871	6,038,099	X	X	X
2. Reverse repos	24,710,465	-	-	X	X	X	26,854,768	-	-	X	X	X
3. Mortgages	84,466,888	7,848	9,849,536	X	X	X	83,141,244	11,583	14,586,424	X	X	X
4. Credit cards and personal loans, including wage assignment loans	9,124,755	3	187,725	X	X	X	8,528,480	6	330,860	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	83,116	-	11,484	X	X	X	283,978	-	58,966	X	X	X
7. Other loans	59,188,401	3,834	3,803,604	X	X	X	48,525,866	8,159	5,307,980	X	X	X
<b>Debt securities</b>	<b>3,363,585</b>	<b>-</b>	<b>2,219</b>	<b>-</b>	<b>2,937,096</b>	<b>420,000</b>	<b>1,569,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>861,535</b>	<b>777,491</b>
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	3,363,585	-	2,219	X	X	X	1,569,192	-	-	X	X	X
<b>Total</b>	<b>197,241,365</b>	<b>14,867</b>	<b>15,980,528</b>	<b>-</b>	<b>117,297,806</b>	<b>99,974,552</b>	<b>188,810,763</b>	<b>41,619</b>	<b>26,322,329</b>	<b>-</b>	<b>116,057,800</b>	<b>106,676,007</b>
<b>Total carrying amount Performing and Non-Performing</b>	<b>213,236,760</b>						<b>215,174,711</b>					

Following the transfer of "CEE business" from UniCredit Bank Austria AG to UniCredit S.p.A., realized on October 1, 2016 (with accounting and income statement effect starting from January 1, 2016), it should be noted that as at December 31, 2016 the amount of loans to customers includes exposures arising from the abovementioned operation, for an overall book value of €5,538,457 thousand (of which €5,126,810 thousand performing as at December 31, 2016).

In the fourth quarter of 2016, UniCredit S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers; in accordance with IAS8 (paragraph 5), since the basis for the measurement of the loans has not been modified, this change qualifies as a "change in accounting estimates". Detailed information on the effects of this change is provided, as required by IAS8 (paragraph 39) in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", which should be consulted for further information.

In addition, following the launch of the "FINO Project", involving a set of credit exposures to customers classified as Non-Performing Loans held for sale (the FINO Portfolio), in accordance with IFRS5, the loans included in the FINO Portfolio (for a gross value at December 31, 2016 of 17,045 million and a net book value of 2,209 million) were reclassified in item "140. Non-current assets and disposal groups classified as held for sale", given the Bank's intention to gradually dispose of the entire portfolio within 12 months. Again, for complete disclosure, see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)".

During the first half of 2016, the securitization "Trevi Finance 3" has been definitively closed, through the sale, to third party external to UniCredit group, of the Italian government bond that was included in its segregated funds and the resulting repayment of all "Trevi Finance 3" securities and loans still outstanding, which, in the comparative period as at December 31, 2015, amounted to 48 million and 269 million, respectively included in the sub-items "7. Other loans" and "9. Other debt securities", as mentioned in the company Financial Statements as at December 31, 2015.

It should be noted that securities lending transactions collateralized by other securities or not collateralized are shown under "off-balance sheet" exposures in table A.1.6 of Part E - Section 1 - Credit Risk, in accordance with current Banca d'Italia regulations. See also the section "Other information of Part B.

Loans and receivables with customers are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The fair value of on-demand items has been valued at their net carrying value using the possibility offered by IFRS7.29.

According to this assumption, demand items were classified as level 3 in the fair value hierarchy.

The fair value of impaired loans was estimated by considering that the analytical realizable value represents by their net book value being the best estimate of the future expected cash flows discounted at the valuation date, further adjusted to incorporate, when available, a premium derived from significant market's transaction for similar instruments. According to this assumption, impaired loans were classified as level 3 in the fair value hierarchy.

Sub-item "9. Other debt securities" includes securities related to securitization transactions shown in the following table:

### Exposures to securities related to securitization transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2016
Senior	2,771,686
Mezzanine	40,679
Junior	77,207
<b>Total</b>	<b>2,889,572</b>

### 7.2 Loans and receivables with customers: breakdown by issuer/borrower

(€ '000)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015		
	PERFORMING	NON-PERFORMING		PERFORMING	NON-PERFORMING	
		PURCHASED	OTHERS		PURCHASED	OTHERS
<b>1. Debt securities:</b>	<b>3,363,585</b>	-	<b>2,219</b>	<b>1,569,192</b>	-	-
a) Governments	101,811	-	-	100,842	-	-
b) Other public-sector entities	105,169	-	-	114,852	-	-
c) Other issuers	3,156,605	-	2,219	1,353,498	-	-
- non-financial companies	81,001	-	-	38,000	-	-
- financial companies	3,030,607	-	2,219	1,270,501	-	-
- insurance companies	44,997	-	-	44,997	-	-
- other	-	-	-	-	-	-
<b>2. Loans to:</b>	<b>193,877,780</b>	<b>14,867</b>	<b>15,978,309</b>	<b>187,241,571</b>	<b>41,619</b>	<b>26,322,329</b>
a) Governments	963,951	-	469	1,638,291	-	739
b) Other public-sector entities	2,251,687	-	100,835	2,810,737	-	95,186
c) Other entities	190,662,142	14,867	15,877,005	182,792,543	41,619	26,226,404
- non-financial companies	72,864,229	8,109	9,749,253	65,591,261	27,173	18,248,408
- financial companies	58,498,375	762	804,526	57,822,268	4,181	968,024
- Insurance companies	96,838	-	112	154,746	-	115
- other	59,202,700	5,996	5,323,114	59,224,268	10,265	7,009,857
<b>Total</b>	<b>197,241,365</b>	<b>14,867</b>	<b>15,980,528</b>	<b>188,810,763</b>	<b>41,619</b>	<b>26,322,329</b>
<b>Total Performing and Non-Performing</b>			<b>213,236,760</b>			<b>215,174,711</b>

Following the transfer of "CEE business" from UniCredit Bank Austria AG to UniCredit S.p.A., realized on October 1, 2016 (with accounting and income statement effect starting from January 1, 2016), it should be noted that as at December 31, 2016 the amount of loans to customers includes exposures arising from the abovementioned operation, for an overall book value of €5,538,457 thousand (of which €5,126,810 thousand performing as at December 31, 2016).

## Part B - Balance Sheet - Assets

## Section 8 - Hedging derivatives - Item 80

## 8.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ '000)

	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	<b>3,057</b>	<b>6,092,834</b>	<b>-</b>	<b>179,529,754</b>	<b>-</b>	<b>6,405,357</b>	<b>-</b>	<b>174,359,661</b>
1) Fair value	3,057	5,847,438	-	171,977,563	-	6,058,782	-	166,209,258
2) Cash flows	-	245,396	-	7,552,191	-	346,575	-	8,150,403
3) Net investment in foreign	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,057</b>	<b>6,092,834</b>	<b>-</b>	<b>179,529,754</b>	<b>-</b>	<b>6,405,357</b>	<b>-</b>	<b>174,359,661</b>
<b>Total Level 1, Level 2 e Level 3</b>			<b>6,095,891</b>			<b>6,405,357</b>		

## 8.2 Hedging derivatives: breakdown by hedged assets and risk (book value)

(€ '000)

TRANSACTIONS/TYPE OF HEDGES	AMOUNTS AS AT 12.31.2016								
	FAIR VALUE HEDGES						CASH-FLOW HEDGES		
	MICRO-HEDGE						MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE
INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS					
1. Available-for-sale financial assets	103,436	3,550	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	2,085,655	X	237,302	X
5. Other investments	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>103,436</b>	<b>3,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,085,655</b>	<b>-</b>	<b>237,302</b>	<b>-</b>
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	3,657,854	X	8,094	X
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,657,854</b>	<b>-</b>	<b>8,094</b>	<b>-</b>
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-



## Section 9 - Changes in fair value of portfolio hedge financial assets - Item 90

### 9.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

(€ '000)

CHANGES TO HEDGED ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Positive changes</b>	<b>3,903,401</b>	<b>4,073,879</b>
1.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
1.2 overall	3,903,401	4,073,879
<b>2. Negative changes</b>	<b>1,839,671</b>	<b>1,764,723</b>
2.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
2.2 overall	1,839,671	1,764,723
<b>Total</b>	<b>2,063,730</b>	<b>2,309,156</b>

### 9.2 Assets subject to macro-hedging of interest-rate risk

(€ '000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
1. Loans and receivables	-	-
2. Available-for-sale financial assets	-	-
3. Portfolio	32,368,480	68,167,052
<b>Total</b>	<b>32,368,480</b>	<b>68,167,052</b>

## Part B - Balance Sheet - Assets

## Section 10 - Equity investments - Item 100

## 10.1 Equity: information on shareholder's equity

NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE (*)	EQUITY % (**)	VOTING RIGHTS %
<b>A. Subsidiaries</b>				
1	Anthemis EVO LLP	London	London	50.00%
2	AO UniCredit Bank	Moscow	Moscow	100.00%
3	Bavaria Servicos de Representacao Comercial LTDA	Sao Paulo	Sao Paulo	99.53% (A)
4	Box 2004 S.r.l. (in liquidation)	Rome	Rome	100.00%
5	Buddy Servizi Molecolari S.p.A.	Milan	Milan	100.00%
6	Capital Dev S.p.A.	Rome	Rome	100.00%
7	Cordusio SIM S.p.A. (formerly Cordusio SIM - Advisory & Family Office)	Milan	Milan	96.10%
8	Cordusio Società Fiduciaria per Azioni	Milan	Milan	100.00%
9	CORIT - Concessionaria Riscossione Tributi S.p.A. in liquidazione	Rome	Rome	60.00%
10	Crivelli S.r.l.	Milan	Milan	100.00%
11	Europeye S.r.l.	Rome	Rome	70.00%
12	Fineco Verwaltung AG (in liquidation)	Munich	Munich	100.00%
13	FinecoBank S.p.A.	Milan	Reggio Emilia	35.44%
14	Idala SP. Z.O.O.	Warsaw	Warsaw	100.00%
15	I-Faber Società per Azioni	Milan	Bologna	88.32%
16	Island Finance (ICR4) S.r.l. (in liquidation)	Rome	Rome	100.00%
17	Istituto Immobiliare di Catania S.p.A.	Catania	Catania	1.12% (B)
18	Le Cotoniere S.p.A.	Naples	Naples	33.33%
19	Nuova Compagnia di Partecipazioni S.p.A.	Rome	Rome	100.00%
20	Pirta Verwaltungs GMBH	Wien	Wien	100.00%
21	Salone S.p.A.	Rome	Rome	100.00%
22	Sanità - S.r.l. in liquidazione	Rome	Rome	99.60%
23	SIA UniCredit Leasing	Riga	Riga	100.00%
24	Sicilia Convention Bureau S.c.a.r.l.	Catania	Catania	92.47%
25	Società di Gestioni Esattoriali in Sicilia SO.G.E.SI. S.p.A. in	Palermo	Palermo	80.00%
26	Società Italiana Gestione ed Incasso Crediti S.p.A. in liquidazione	Rome	Rome	100.00%
27	Sofigere Société par Actions Simplifiée	Paris	Paris	100.00%
28	Trevi Finance S.r.l.	Conegliano (TV)	Conegliano (TV)	100.00%
29	Trieste Adriatic Maritime Initiatives S.r.l.	Trieste	Trieste	36.68%
30	UniCredit Bank A.D. Banja Luka	Banja Luka	Banja Luka	98.44%
31	UniCredit Bank AG	Munich	Munich	100.00%
32	UniCredit Bank Austria AG	Wien	Wien	99.99%
33	UniCredit Bank Ireland P.l.c.	Dublin	Dublin	100.00%
34	UniCredit Bank Hungary ZRT	Budapest	Budapest	100.00%
35	UniCredit Bank S.A.	Bucharest	Bucharest	98.33%
36	UniCredit Bank Serbia JSC	Belgrade	Belgrade	100.00%
37	UniCredit Banka Slovenija D.D.	Ljubljana	Ljubljana	100.00%
38	UniCredit BPC Mortgage S.r.l.	Verona	Verona	60.00%
39	UniCredit Bulbank A.D.	Sofia	Sofia	99.45%
40	UniCredit Business Integrated Solutions Società consortile per azioni	Milan	Milan	100.00% (C)
41	UniCredit Bank Czech Republic and Slovakia A.S.	Prague	Prague	100.00%
42	UniCredit Consumer Financing IFN S.A.	Bucharest	Bucharest	49.90% (D)
43	Unicredit Factoring S.p.A.	Milan	Milan	100.00%
44	UniCredit Global Leasing Export GMBH	Wien	Wien	100.00%
45	UniCredit International Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	100.00%
46	UniCredit Leasing S.p.A.	Milan	Milan	100.00%
47	UniCredit OBG S.r.l.	Verona	Verona	60.00%
48	Unicredit Subito Casa S.p.A.	Milan	Milan	100.00%
49	UniCredit (U.K.) Trust Services Ltd	London	London	100.00%
50	UniCredit Turn-Around Management GMBH	Wien	Wien	100.00%
51	Visconti S.r.l.	Milan	Milan	76.00%
52	Zagrebacka Banka D.D.	Zagreb	Zagreb	84.48%

Continued: 10.1 Equity: information on shareholder's equity

NAME	MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE (*)	EQUITY % (**)	VOTING RIGHTS %	
<b>B. Joint ventures</b>					
1	Officinae Verdi Società per azioni	Rome	Rome	26.03%	
2	Koc Finansal Hizmetler AS	Istanbul	Istanbul	50.00%	
<b>C. Companies under significant influence</b>					
1	Accadiesse S.p.A. in liquidazione	Milan	Milan	4.68% (E)	
2	Asset Bancari II	Milan	Milan	33.78% (F)	
3	Aviva S.p.A.	Milan	Milan	49.00%	
4	Barn B.V.	Amsterdam	Amsterdam	40.00%	
5	CNP UniCredit Vita S.p.A.	Milan	Milan	38.80%	
6	Coinv S.p.A.	Milan	Milan	12.00%	
7	Compagnia Aerea Italiana S.p.A.	Fiumicino (Rome)	Fiumicino (Rome)	32.67%	
8	Creditras Assicurazioni S.p.A.	Milan	Milan	50.00%	
9	Creditras Vita S.p.A.	Milan	Milan	50.00%	
10	Credifarma S.p.A.	Rome	Rome	16.25%	
11	Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	39.79%	
12	EuroTLX SIM S.p.A.	Milan	Milan	15.00%	
13	Fenice Holding S.p.A. in liquidazione (formerly Fenice Holding S.p.A.)	Calenzano (FI)	Calenzano (FI)	25.91%	
14	Fenice S.r.l.	Milan	Milan	21.04%	
15	Focus Investments S.p.A.	Milan	Milan	8.33%	25.00%
16	Incontra Assicurazioni S.p.A.	Milan	Milan	49.00%	
17	Istituto per l'Edilizia Economica e Popolare di Catania S.p.A. in liquidazione	Catania	Catania	20.00%	
18	La Fortezza S.r.l.	Catanzaro	Catanzaro	1.00%	
19	Le Vigne S.r.l.	Catanzaro	Catanzaro	1.00%	
20	Maccorp Italiana S.p.A.	Milan	Milan	25.45%	
21	Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	Milan	8.54%	
22	OGR-CRT Società Consortile per Azioni	Turin	Turin	10.71%	
23	Sviluppo Globale GEIE (in liquidation)	Rome	Rome	33.33%	
24	Società Italiana di Monitoraggio S.p.A.	Rome	Rome	12.89%	
25	Torre SGR S.p.A.	Rome	Rome	37.50%	

(\*) Also meaning the administrative office.

(\*\*) The equity stake is held by the Parent Company and does not include any stake held by other Group companies.

(A) The remaining share of 0.47% is held by UniCredit (U.K.) Trust Services Ltd.

(B) 93.92% is held by Capital Dev S.p.A.

(C) A fractional share is held by various Group companies.

(D) The remaining share of 50.10% is held indirectly by UniCredit Bank S.A.

(E) Equity instruments (Strumenti Finanziari Partecipativi) have been subscribed; the portion

subscribed is calculated on the total equity instruments issued by the investee.

(F) It is a real estate closed-end investment fund.

Following the merger of segment of Business belonging to UniCredit Bank Austria, UniCredit S.p.A. directly holds entities belonging to CEE division of the Group.

The equity interest in Mediobanca - Banca di Credito Finanziario S.p.A. is classified under companies subject to significant influence by virtue of UniCredit S.p.A.'s right, resulting from its participation in the Shareholders' Agreement, to be represented by its officers in the Board of Directors and therefore to also participate in determining the company's financial and operating policies.

The investments are individually tested for impairment in accordance with the provisions of IAS36. When the conditions provided for therein apply, their recovery value is determined, understood as the greater of their "fair value" and "value in use" (the latter determined by discounting the cash flows at a rate that takes account of the current market rates and the specific risks of the asset or using other commonly accepted valuation criteria and methods suitable for the correct valuation of the investment). If the recovery value is less than the carrying amount, the latter is consequently reduced by allocating the corresponding impairment loss to the Income Statement.

On the basis of the above, according to financial projections of the Strategic Plan approved in December 2016, impairment loss has been recognized in subsidiaries, including: €626 million UniCredit Leasing S.p.A, €377 million Koc Finansal Hizmetler, €49 million UniCredit Bank Austria, €49 million Bank Pekao SA, €6 million UniCredit Global Leasing Export GMBH.

## Part B - Balance Sheet - Assets

## 10.5 Equity investments: annual changes

(€ '000)

	CHANGES IN	
	2016	2015
<b>A. Opening balance</b>	<b>45,847,175</b>	<b>50,339,370</b>
<b>B. Increases</b>	<b>23,533,299</b>	<b>867,992</b>
B.1 Purchases	22,915,982	108,644
<i>of which: business combinations</i>	21,435,080	-
B.2 Write-backs	4,056	749,902
B.3 Revaluation	-	-
B.4 Other changes	613,261	9,446
<b>C. Decreases</b>	<b>26,445,404</b>	<b>5,360,187</b>
C.1 Sales	20,003,247	1,779,984
<i>of which: business combinations</i>	18,365,592	-
C.2 Write-downs	1,113,118	2,629,847
C.3 Other changes	5,329,039	950,356
<b>D. Closing balance</b>	<b>42,935,070</b>	<b>45,847,175</b>
<b>E. Total revaluation</b>	<b>-</b>	<b>-</b>
<b>F. Total write-downs</b>	<b>12,309,275</b>	<b>11,211,207</b>

The sub-item "B.1 Purchases" includes the effects arising from the transfer of the branch of the CEE Division ("CEE business") from UniCredit Bank Austria AG to UniCredit S.p.A., through the break-up of the abovementioned branch (which included the bank shareholding operating in that area) to the Austrian company UCG Beteiligungsverwaltung GmbH (NewCo wholly owned by UniCredit S.p.A.), wholly incorporated in UniCredit S.p.A. through a fusion with accounting effect starting from January 1, 2016. In particular, the amount includes the assignment to the NewCo of the shareholding value of UniCredit Bank Austria AG attributed to the broken up branch (€9,021,432 thousand) and the recognition of the value of the shareholding of that branch (€12,132,981 thousand). In addition, the sub-item includes the equity increase of Cordusio SIM S.p.A. (€226,010 thousand) in relation to the disposal of the branch "Wealth management" to the subsidiary, occurred on November 1, 2016.

The sub-item "C.1 Sales" includes the effects regarding the abovementioned transfer of "CEE business", showing the reduction of the recognized value of the shareholding in UniCredit Bank Austria AG attributed to the broken up branch (€9,021,432 thousand) and the complete cancellation of the shareholding in the NewCo UCG Beteiligungsverwaltung GmbH (€9,162,566 thousand).

The sub-item "B.4 Other changed" includes the profits realized following the disposals occurred in the year, amounting to €553,911 thousand.

The sub-item "C.3 Other changes" includes the equity interests which should be disposed, transferred from item "140. Non-current assets and disposal groups classified as held for sale" and regarding Bank Pekao S.A. (€2,975,451 thousand), Pioneer Global Asset Management S.p.A. (€2,274,237 thousand), Dom Inwestycyjny Xelion Sp. Z.o.o. (€940,000 thousand).

## Section 11 - Property, plant and equipment - Item 110

## 11.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

(€ '000)

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Owned assets</b>	<b>1,704,079</b>	<b>1,738,046</b>
a) land	644,359	670,259
b) buildings	740,035	757,768
c) office furniture and fitting	38,823	33,846
d) electronic systems	177,286	167,358
e) other	103,576	108,815
<b>2 Leased assets</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
c) office furniture and fitting	-	-
d) electronic systems	-	-
e) other	-	-
<b>Total</b>	<b>1,704,079</b>	<b>1,738,046</b>

## 11.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(€ 000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2016			AMOUNTS AS AT 12.31.2015				
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	<b>636,652</b>	-	-	<b>859,748</b>	<b>667,361</b>	-	-	<b>883,064</b>
a) land	308,444	-	-	316,236	296,622	-	-	332,028
b) buildings	328,208	-	-	543,512	370,739	-	-	551,036
<b>2. Leased assets</b>	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>636,652</b>	-	-	<b>859,748</b>	<b>667,361</b>	-	-	<b>883,064</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>859,748</b>				<b>883,064</b>

## 11.4 Property, plant and equipment: breakdown of assets measured at fair value

For the measurement of property, plant and equipment, the Company does not apply the revaluation model.

## 11.5 Property, plant and equipment used in the business: annual changes

(€ 000)

	CHANGES IN 2016						TOTAL
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER		
<b>A. Gross opening balance</b>	<b>670,259</b>	<b>1,319,257</b>	<b>652,138</b>	<b>1,228,848</b>	<b>519,114</b>		<b>4,389,616</b>
A.1 Total net reduction in value	-	(561,489)	(618,292)	(1,061,490)	(410,299)		(2,651,570)
<b>A.2 Net opening balance</b>	<b>670,259</b>	<b>757,768</b>	<b>33,846</b>	<b>167,358</b>	<b>108,815</b>		<b>1,738,046</b>
<b>B Increases</b>	<b>5,450</b>	<b>48,590</b>	<b>9,494</b>	<b>56,333</b>	<b>22,739</b>		<b>142,606</b>
B.1 Purchases	-	-	9,365	56,333	22,654		88,352
of which: business combination	-	-	-	-	6		6
B.2 Capitalised expenditure on improvements	-	42,692	-	-	-		42,692
B.3 Write-backs	-	-	-	-	-		-
B.4 Increases in fair value:	-	-	-	-	-		-
a) in equity	-	-	-	-	-		-
b) through profit or loss	-	-	-	-	-		-
B.5 Positive exchange differences	-	22	-	-	-		22
B.6 Transfer from properties held for investment	5,450	5,820	-	-	-		11,270
B.7 Other changes	-	56	129	-	85		270
<b>C. Reductions</b>	<b>31,350</b>	<b>66,323</b>	<b>4,517</b>	<b>46,405</b>	<b>27,978</b>		<b>176,573</b>
C.1 Disposals	26	756	143	-	93		1,018
of which: business combination	-	-	-	-	-		-
C.2 Depreciation	-	38,151	4,289	40,679	24,949		108,068
C.3 Impairment losses	-	237	84	5,712	274		6,307
a) in equity	-	-	-	-	-		-
b) through profit or loss	-	237	84	5,712	274		6,307
C.4 Reduction of fair value:	-	-	-	-	-		-
a) in equity	-	-	-	-	-		-
b) through profit or loss	-	-	-	-	-		-
C.5 Negative exchange differences	-	-	1	7	-		8
C.6 Transfer to:	31,324	27,179	-	-	-		58,503
a) property, plant and equipment held for investment	30,270	26,121	-	-	-		56,391
b) assets held for sale	1,054	1,058	-	-	-		2,112
C.7 Other changes	-	-	-	7	2,662		2,669
<b>D. Net final balance</b>	<b>644,359</b>	<b>740,035</b>	<b>38,823</b>	<b>177,286</b>	<b>103,576</b>		<b>1,704,079</b>
D.1 Total net reduction in value	-	(574,106)	(614,127)	(1,071,797)	(395,160)		(2,655,190)
<b>D.2 Gross closing balance</b>	<b>644,359</b>	<b>1,314,141</b>	<b>652,950</b>	<b>1,249,083</b>	<b>498,736</b>		<b>4,359,269</b>
<b>E. Carried at cost</b>	-	-	-	-	-		-

## Part B - Balance Sheet - Assets

## 11.6 Property, plant and equipment held for investment: annual changes

(€' 000)

	CHANGES IN 2016		
	LAND	BUILDINGS	TOTAL
<b>A. Gross Opening balances</b>	<b>296,622</b>	<b>557,070</b>	<b>853,692</b>
<b>A.1 Total net reduction in value</b>	<b>-</b>	<b>(186,331)</b>	<b>(186,331)</b>
<b>A Opening balances</b>	<b>296,622</b>	<b>370,739</b>	<b>667,361</b>
<b>B. Increases</b>	<b>30,943</b>	<b>34,075</b>	<b>65,018</b>
B.1 Purchases	-	-	-
of which: business combinations	-	-	-
B.2 Capitalised expenditure on improvements	14	7,695	7,709
B.3 Increases in fair value	-	-	-
B.4 Write backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from properties used in the business	30,270	26,121	56,391
B.7 Other changes	659	259	918
<b>C. Reductions</b>	<b>19,121</b>	<b>76,606</b>	<b>95,727</b>
C.1 Disposals	4	30	34
of which: business combinations	4	30	34
C.2 Depreciation	-	17,431	17,431
C.3 Reductions in fair value	-	-	-
C.4 Impairment losses	5,917	43,132	49,049
C.5 Negative exchange differences	-	-	-
C.6 Transfer to:	13,180	16,013	29,193
a) <i>Properties used in the business</i>	5,450	5,820	11,270
b) <i>Non current assets classified as held for sale</i>	7,730	10,193	17,923
C.7 Other changes	20	-	20
<b>D. Closing balances</b>	<b>308,444</b>	<b>328,208</b>	<b>636,652</b>
<b>D.1 Total net reduction in value</b>	<b>-</b>	<b>(224,776)</b>	<b>(224,776)</b>
<b>D.2 Gross closing balances</b>	<b>308,444</b>	<b>552,985</b>	<b>861,429</b>
<b>E. Measured at fair value</b>	<b>316,236</b>	<b>543,512</b>	<b>859,748</b>

## Section 12 - Intangible assets - Item 120

## 12.1 Intangible assets: breakdown by asset type

(€' 000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>A.2 Other intangible assets</b>	<b>4,768</b>	<b>-</b>	<b>5,509</b>	<b>-</b>
A.2.1 Assets carried at cost:	4,768	-	5,509	-
a) <i>Intangible assets generated internally</i>	-	-	-	-
b) <i>Other assets</i>	4,768	-	5,509	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) <i>Intangible assets generated internally</i>	-	-	-	-
b) <i>Other assets</i>	-	-	-	-
<b>Total</b>	<b>4,768</b>	<b>-</b>	<b>5,509</b>	<b>-</b>
<b>Total finite and indefinite life</b>		<b>4,768</b>		<b>5,509</b>

## 12.2 Intangible assets: annual changes

(€ '000)

	CHANGES IN 2016					TOTAL
	OTHER INTANGIBLE ASSETS					
	GOODWILL	GENERATED INTERNALLY		OTHER		
FINITE LIFE		INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE		
<b>A. Gross opening balance</b>	<b>7,709,526</b>	-	-	<b>245,177</b>	-	<b>7,954,703</b>
A.1 Total net reduction in value	(7,709,526)	-	-	(239,668)	-	(7,949,194)
<b>A.2 Net opening balance</b>	-	-	-	<b>5,509</b>	-	<b>5,509</b>
<b>B. Increases</b>	-	-	-	<b>1,423</b>	-	<b>1,423</b>
B.1 Purchases	-	-	-	1,423	-	1,423
of which: business combinations	-	-	-	648	-	648
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- <i>in equity</i>	X	-	-	-	-	-
- <i>through profit or loss</i>	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
<b>C. Reduction</b>	-	-	-	<b>2,164</b>	-	<b>2,164</b>
C.1 Disposals	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	2,128	-	2,128
- amortization	X	-	-	1,637	-	1,637
- write-downs	-	-	-	491	-	491
+ <i>in equity</i>	X	-	-	-	-	-
+ <i>through profit or loss</i>	-	-	-	491	-	491
C.3 Reduction in fair value	X	-	-	-	-	-
- <i>in equity</i>	X	-	-	-	-	-
- <i>through profit or loss</i>	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	36	-	36
C.6 Other changes	-	-	-	-	-	-
<b>D. Net Closing Balance</b>	-	-	-	<b>4,768</b>	-	<b>4,768</b>
D.1 Total net write-down	(7,709,526)	-	-	(234,937)	-	(7,944,463)
<b>E. Gross closing balance</b>	<b>7,709,526</b>	-	-	<b>239,705</b>	-	<b>7,949,231</b>
<b>F. Carried at cost</b>	-	-	-	-	-	-

## Part B - Balance Sheet - Assets

## Section 13 - Tax assets and tax liabilities - Item 130 (Assets) and Item 80 (Liabilities)

## 13.1 Deferred tax assets: breakdown

(€' 000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>Deferred tax assets related to:</b>		
Assets/liabilities held for trading	31,461	-
Other financial instruments	26,248	63,737
Hedging derivatives/changes in fair value of portfolio hedged items	57,964	36,374
Investments in associates and joint ventures	3,968,902	3,968,902
Property, plant and equipment/intangible assets	1,829,784	1,856,440
Provisions	293,726	671,997
Write-downs on loans	5,277,941	5,583,584
Other assets/liabilities	162,384	91,366
Loans and receivables with banks and customers	81,007	102,715
Tax losses carried forward	89,500	-
Other	17,798	29,302
Effect of netting gross deferred tax position	(522,564)	(655,809)
<b>Total</b>	<b>11,314,151</b>	<b>11,748,608</b>

The item "Investments in associates and joint ventures" includes €3,964.7 million in 2016 related to deferred tax assets (for IRES and IRAP) due to the tax release of the value of the equity investments pursuant to Art.23 of D.L. 98/2011; also under "Intangible assets" are included €1,774.7 million of deferred tax (IRES and IRAP) arising from goodwill tax redemption.

The above mentioned amounts are the ones resulting upon the sustainability test provided for by IAS12, taking into account the economic projections foreseeable for future years and the peculiarities of the fiscal legislations of each country, in order to check, under a 5 years time horizon, set in order to harmonize the approach within the main Group Legal Entities, whether there are future taxable incomes to absorb them.

With particular reference to deferred tax assets (€11,837 million before the offset against the corresponding deferred tax liabilities), the sustainability test takes into account, besides the economic projections, the forecasts for the transformability of deferred tax assets into tax credits under the terms of Italian Law No.214/2011.

## 13.2 Deferred tax liabilities: breakdown

(€' 000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>Deferred tax liabilities related to:</b>		
Loans and receivables with Banks and Customers	-	-
Assets/liabilities held for trading	273,364	-
Hedging derivatives/changes in fair value of portfolio hedged items	59,879	96,273
Investments in associates and joint ventures	5,368	8,807
Other financial instruments	55,569	422,376
Property, plant and equipment/intangible assets	125,719	126,223
Other assets/liabilities	2,665	11,921
Deposits from Banks and Customers	-	-
Other	-	-
Effect of netting gross deferred tax position	(522,564)	(655,809)
<b>Total</b>	<b>-</b>	<b>9,791</b>

As at December 31, 2016, the total amount of deferred tax assets convertible into tax credits amounted to €9,711.9 million for IRES and €1,305.5 million for IRAP purposes



Deferred tax assets, in addition to the normal offsetting against current taxes, were reduced of €341.4 million, of which €300.9 million for IRES and €40.5 million for IRAP consequent the transformation in tax credits based on the 2015 accounting loss of €1,441.4 million.

For further information on Conversion of DTAs into tax credit see the related paragraph of Report on Operations.

### 13.3 Deferred tax assets: annual changes (balancing P&L)

(€' 000)

	CHANGES IN	
	2016	2015
<b>1. Opening balance</b>	<b>11,571,911</b>	<b>11,035,675</b>
<b>2. Increases</b>	<b>994,762</b>	<b>1,528,998</b>
2.1 Deferred tax assets arising during the year	231,653	657,688
a) relating to previous years	5,276	43,611
b) due to change in accounting policies	-	-
c) write-backs	-	-
d) other	226,377	614,077
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	763,109	871,310
business combinations	6,208	192,850
effect of netting DTA/DTL previous year	645,537	678,460
other	111,364	-
<b>3. Decreases</b>	<b>1,427,224</b>	<b>992,762</b>
3.1 Deferred tax assets derecognised during the year	561,307	232,141
a) reversals of temporary differences	469,416	209,728
b) write-downs of non-recoverable items	84,007	-
c) change in accounting policies	-	-
d) other	7,884	22,413
3.2 Reduction in tax rates	-	-
3.3 Other decreases	865,917	760,621
a) conversion into tax credit under L. 214/2011	341,419	114,590
b) other	524,498	646,031
business combinations	1,935	-
effect of netting DTA/DTL current year	-	645,537
other	522,563	494
<b>4. Final amount</b>	<b>11,139,449</b>	<b>11,571,911</b>

#### 13.3.1 Deferred tax assets (L. 214/2011): annual changes (balancing P&L)

(€' 000)

	CHANGES IN	
	2016	2015
<b>1. Opening balance</b>	<b>11,354,076</b>	<b>10,503,951</b>
<b>2. Increases</b>	<b>5,070</b>	<b>967,357</b>
<b>3. Decreases</b>	<b>341,747</b>	<b>117,232</b>
3.1 Reversal	-	-
3.2 Conversion into tax credits	341,419	114,590
a) due to loss positions arising from P&L	341,419	114,590
b) due to tax losses	-	-
3.3 Other decreases	328	2,642
<b>4. Final amount</b>	<b>11,017,399</b>	<b>11,354,076</b>

## Part B - Balance Sheet - Assets

## 13.4 Deferred tax liabilities: annual changes (balancing P&amp;L)

(€ 000)

	CHANGES IN	
	2016	2015
<b>1. Opening balance</b>	-	-
<b>2. Increases</b>	<b>180,586</b>	<b>187,962</b>
2.1 Deferred tax liabilities arising during the year	-	21,673
<i>a) relating to previous years</i>	-	86
<i>b) due to change in accounting policies</i>	-	-
<i>c) other</i>	-	21,587
2.2 New taxes or increases in tax rates	33,234	-
2.3 Other increases	147,352	166,289
<i>business combinations</i>	-	10,738
<i>effect of netting DTA/DTL previous year</i>	140,420	155,551
<i>other</i>	6,932	-
<b>3. Decreases</b>	<b>180,586</b>	<b>187,962</b>
3.1 Deferred tax liabilities derecognised during the year	47,404	39,108
<i>a) reversals of temporary differences</i>	47,404	39,108
<i>b) due to change in accounting policies</i>	-	-
<i>c) other</i>	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	133,182	148,854
<i>business combinations</i>	80	-
<i>effect of netting DTA/DTL current year</i>	-	140,420
<i>other</i>	133,102	8,434
<b>4. Final amount</b>	<b>-</b>	<b>-</b>

## 13.5 Deferred tax assets: annual changes (balancing Net Equity)

(€ 000)

	CHANGES IN	
	2016	2015
<b>1. Opening balance</b>	<b>176,697</b>	<b>237,861</b>
<b>2. Increases</b>	<b>97,633</b>	<b>89,733</b>
2.1 Deferred tax assets arising during the year	85,987	79,754
<i>a) relating to previous years</i>	-	-
<i>b) due to change in accounting policies</i>	-	-
<i>c) other</i>	85,987	79,754
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	11,646	9,979
<i>business combinations</i>	1,374	-
<i>effect of netting DTA/DTL previous year</i>	10,272	9,979
<i>other</i>	-	-
<b>3. Decreases</b>	<b>99,628</b>	<b>150,897</b>
3.1 Deferred tax assets derecognised during the year	99,294	140,570
<i>a) reversals of temporary differences</i>	51,579	89,524
<i>b) writedowns of non-recoverable items</i>	-	-
<i>c) due to change in accounting policies</i>	-	-
<i>d) other</i>	47,715	51,046
3.2 Reduction in tax rates	-	-
3.3 Other decreases	334	10,327
<i>business combinations</i>	-	55
<i>effect of netting DTA/DTL current year</i>	-	10,272
<i>other</i>	334	-
<b>4. Final amount</b>	<b>174,702</b>	<b>176,697</b>

### 13.6 Deferred tax liabilities: annual changes (balancing Net Equity)

(€'000)

	CHANGES IN	
	2016	2015
<b>1. Opening balance</b>	<b>9,791</b>	-
<b>2. Increases</b>	<b>664,859</b>	<b>672,567</b>
2.1 Deferred tax liabilities arising during the year	146,243	137,526
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	146,243	137,526
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	518,616	535,041
business combinations	-	-
effect of netting DTA/DTL previous year	515,389	532,889
other	3,227	2,152
<b>3. Decreases</b>	<b>674,650</b>	<b>662,776</b>
3.1 Deferred tax liabilities derecognised during the year	285,187	146,921
a) reversal of temporary differences	125,014	137,434
b) due to change in accounting policies	-	-
c) other	160,173	9,487
3.2 Reduction in tax rates	-	-
3.3 Other decreases	389,463	515,855
business combinations	-	-
effect of netting DTA/DTL current year	389,463	515,389
other	-	466
<b>4. Final amount</b>	<b>-</b>	<b>9,791</b>

### 13.7 Other information

#### NATIONAL TAX GROUP

Legislative Decree 344 of December 12, 2003 reforming the Italian corporate income tax (IRES) introduced the income taxation for group companies based on the national tax group.

The national tax group regulations are optional, have a fixed term of three financial years and are subject to meet certain conditions (controlling relationship, same operating period).

At present, participation in the national tax group provides the following economic and/or financial advantages:

- immediate offset of income and tax losses generated by companies included in the scope of consolidation;
- deduction of interest expense accrued to banks and other financial entities on behalf of other participating entities (banks and other financial entities), but only up to the total amount of interest expense accrued to the same entities on behalf of entities outside the consolidation system (Law 133/2008);
- deduction of interest expense accrued to non-banking/non-financial entities in favor of other similar participating entities, if and to the extent the other companies participating in the tax group report for the same period an exceeding gross operating profit not totally used (2008 Budget Law).

It should be noted for the 2016 financial year the companies that adhered to the national tax consolidation system were:

- UniCredit Factoring - Milano
- Pioneer Global Asset Management - Milano
- Pioneer Investment Management - Milano
- UniCredit Leasing - Milano
- I-Faber - Milano
- Cordusio Fiduciaria - Milano
- UniCredit Business Integrated Solutions - Milano
- Cordusio SIM - Milano
- UniCredit Bank AG - Milan Branch

## Part B - Balance Sheet - Assets

The number of Companies included in the Tax Group perimeter has not changed compared to 2015 since:

- it was sold outside the Group a market share of 20% of the Fineco Bank capital, setting UniCredit participation below the threshold of 50%, quota provided by tax legislation for the participation in the national tax group;
- the new entry of Milan Branch of the German controlled legal entity UniCredit Bank AG, based on the amendment pursuant Article 117. Par. 2 of TUIR, Article 6 of Law Decree 147/2015 (i.e.: "Internationalization Decree").

### **DEFERRED TAX ASSETS DUE TO TAX LOSSES CARRIED FORWARD**

During the year tax losses for €2,967.8 million were realized.

Following the sustainability test in accordance with IAS12, the related DTA amounting to €2,878.3 have not been accounted, although under tax perspective they represent carry forward losses without any time limitation .

Due to sustainability test result, the same treatment has been also applied to the relevant ACE benefit amounting to €16.4 million.

Not recoverable foreign branches fiscal losses are reported for about €3,650 million connected to branches start up or for other set-up costs. These are tax losses which can only be used against the taxable income of individual branches for taxes due in the country in which they are based.

## Section 14 - Non-current assets and disposal groups classified as held for sale - Item 140 (Assets) and Item 90 (Liabilities)

### 14.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€'000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>A. Individual assets</b>		
A.1 Financial assets	2,209,063	-
A.2 Equity investments	5,201,971	-
A.3 Property, Plant and Equipment	27,927	238,359
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
<b>Total A</b>	<b>7,438,961</b>	<b>238,359</b>
<i>of which carried at cost</i>	4,487,863	216,599
<i>of which designated at fair value - level 1</i>	-	-
<i>of which designated at fair value - level 2</i>	2,951,098	21,760
<i>of which designated at fair value - level 3</i>	-	-
<b>B. Assets groups classified as held for sale</b>		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Available for sale financial assets	-	-
B.4 Held to maturity investments	-	-
B.5 Loans and receivables with banks	-	-
B.6 Loans and receivables with customers	-	-
B.7 Equity investments	-	-
B.8 Property, Plant and Equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
<b>Total B</b>	-	-
<i>of which carried at cost</i>	-	-
<i>of which designated at fair value - level 1</i>	-	-
<i>of which designated at fair value - level 2</i>	-	-
<i>of which designated at fair value - level 3</i>	-	-
<b>Total A+B</b>	<b>7,438,961</b>	<b>238,359</b>
<b>C. Liabilities associated with assets classified as held for sale</b>		
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	2,544	-
<b>Total C</b>	<b>2,544</b>	-
<i>of which carried at cost</i>	2,544	-
<i>of which designated at fair value - level 1</i>	-	-
<i>of which designated at fair value - level 2</i>	-	-
<i>of which designated at fair value - level 3</i>	-	-
<b>D. Liabilities included in disposal groups classified as held for sale</b>		
D.1 Deposits from banks	-	-
D.2 Deposits from customers	-	-
D.3 Debt securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
<b>Total D</b>	-	-
<i>of which carried at cost</i>	-	-
<i>of which designated at fair value - level 1</i>	-	-
<i>of which designated at fair value - level 2</i>	-	-
<i>of which designated at fair value - level 3</i>	-	-

## Part B - Balance Sheet - Assets

Please note that item "A.1 Financial Assets" includes loans to customers that are part of the FINO portfolio (for a gross amount at December 31, 2016 of 17,045 million and a net book value of 2,209 million), classified as Non-current assets classified as held for sale pursuant to IFRS5.

For complete disclosure on the "FINO project", see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values).

Following the final definition of sale agreement, participation in Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and Dom Inwestycyjny Xelion Sp. Z.o.o. have been classified as assets held for disposal.

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input for market disclosure purposes only. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## Section 15 - Other assets - Item 150

## 15.1 Other assets: breakdown

(€000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
Accrued income other capitalised income	383,709	442,668
Cash and other valuables held by cashier:	235,779	282,970
- current account cheques being settled, drawn on third parties	235,281	282,751
- current account cheques payable by group banks, cleared and in the process of being debited	498	219
- money orders, bank drafts and equivalent securities	-	-
- coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to:	135	132
- customers	135	132
- banks	-	-
Items in transit between branches not yet allocated to destination accounts	21,597	14,727
Items in processing	246,513	837,195
Items deemed definitive but not-attributable to other items:	1,233,102	710,393
- securities and coupons to be settled	591	39,313
- other transactions	1,232,511	671,080
Adjustments for unpaid bills and notes	166,798	8,023
Tax items other than those included in item 130	1,723,931	1,917,966
Loans in respect of share based payments	114,826	172,385
- loans to subsidiaries in respect of equity settled share based payments	114,826	172,385
- loans to subsidiaries in respect of cash settled share based payments	-	-
Other items	273,870	287,620
- leasehold improvements (on non-separable assets)	97,456	85,226
- items related to accidents and disputes pending (valued at their estimated realization amount)	25,032	27,194
- other items	151,382	175,200
<b>Total</b>	<b>4,400,260</b>	<b>4,674,079</b>

# Part B - Balance Sheet - Liabilities

## Liabilities

### Section 1 - Deposits from banks - Item 10

#### 1.1 Deposits from banks: product breakdown

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Deposits from central banks</b>	<b>18,293,918</b>	<b>15,362,790</b>
<b>2. Deposits from banks</b>	<b>26,086,589</b>	<b>22,103,700</b>
2.1 Current accounts and demand deposits	3,981,725	5,664,497
2.2 Time deposits	3,055,966	4,266,561
2.3 Loans	18,703,373	12,171,478
2.3.1 repos	10,519,736	8,094,982
2.3.2 other	8,183,637	4,076,496
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	345,525	1,164
<b>Total</b>	<b>44,380,507</b>	<b>37,466,490</b>
Fair value - level 1	-	-
Fair value - level 2	38,128,886	18,657,568
Fair value - level 3	6,037,515	18,981,610
<b>Total fair value</b>	<b>44,166,401</b>	<b>37,639,178</b>

The increase in "Deposits from central banks" is due to advances received from Banca d'Italia.

Deposits from banks are not carried at fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

#### 1.2 Breakdown of item 10 "Deposits from banks": subordinated debt

Part F - Shareholders' Equity of the Notes to the Accounts includes the list of all subordinated debt instruments. Subordinated debt recognized in the item "Deposits from banks" amounts to €787 million.

## Part B - Balance Sheet - Liabilities

## Section 2 - Deposits from customers - Item 20

**2.1 Deposits from customers: breakdown by product**

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2016	12.31.2015
1. Current accounts and demand deposits	146,751,735	131,941,171
2. Time deposits	2,551,661	3,838,519
3. Loans	42,042,397	40,854,382
3.1 repos	39,963,332	38,210,562
3.2 other	2,079,065	2,643,820
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other liabilities	5,175,141	4,939,494
<b>Total</b>	<b>196,520,934</b>	<b>181,573,566</b>
Fair value - level 1	-	10,922
Fair value - level 2	43,710,307	40,762,935
Fair value - level 3	152,152,318	141,119,286
<b>Total fair value</b>	<b>195,862,625</b>	<b>181,893,143</b>

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input.

The fair value of demand items was estimated to be equal to their net book value by exercising the option provided for by IFRS7.29. According to this assumption, demand items were classified as level 3 in the fair value hierarchy.

For further information see Part A - Accounting Policies - A.4 Information on fair value.

**2.2 Breakdown of item 20 "Deposits from customers": subordinated debt**

This item "Deposit from customers" includes subordinated debt in the amount of €172 million.



## Section 3 - Debt securities in issue - Item 30

### 3.1 Debt securities in issue: breakdown by product

(€ '000)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Listed securities</b>								
1. Bonds	75,016,905	36,926,498	39,975,082	107	89,025,980	43,496,569	49,029,742	19
1.1 structured	4,495,477	1,098,191	3,424,001	-	8,882,149	1,429,765	7,595,217	-
1.2 other	70,521,428	35,828,307	36,551,081	107	80,143,831	42,066,804	41,434,525	19
2. Other securities	8,109,900	-	3,892,925	4,252,605	8,285,553	-	3,287,505	5,011,042
2.1 structured	189,041	-	225,762	-	253,431	-	268,663	-
2.2 other	7,920,859	-	3,667,163	4,252,605	8,032,122	-	3,018,842	5,011,042
<b>Total</b>	<b>83,126,805</b>	<b>36,926,498</b>	<b>43,868,007</b>	<b>4,252,712</b>	<b>97,311,533</b>	<b>43,496,569</b>	<b>52,317,247</b>	<b>5,011,061</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>85,047,217</b>				<b>100,824,877</b>	

The sub-items "1.1 structured" of bonds and "2.1. structured" of other securities amount to a total of €4,685 million and represent 6% of the total. They mainly relate to interest-rate linked instruments with highly correlated derivative component, identified in accordance with the Mifid classification rules. To that effect, the comparison amounts from the previous year were also rendered uniform.

Issued bonds reduce due to joint effect of maturities and new issuances and as a consequence of buybacks realized in the period.

Fair value measurements solely for financial disclosure purposes only are classified according to a hierarchy of levels reflecting the significance of the inputs used.

For further information see Part A - Accounting Policies - A.4 Information on fair value.

### 3.2 Breakdown of item 30 "Debt securities in issue": subordinated debt securities

This item includes subordinated securities in the amount of €12,663 million.

### 3.4 Breakdown of item 30 "Debt securities in issue": Covered Bond

At December 31, 2016, a total of 28 series of covered bonds (OBG) were issued for the two programs for a total of €25,156 million, of which €11,450 million held within UniCredit S.p.A.

## Part B - Balance Sheet - Liabilities

## Section 4 - Financial liabilities held for trading - Item 40

## 4.1 Financial liabilities held for trading: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2016					AMOUNTS AS AT 12.31.2015				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial liabilities</b>										
1. Deposits from banks	-	249,257	-	-	249,257	-	210,936	-	-	210,936
2. Deposits from customers	-	6,274,093	-	-	6,274,093	-	3,321,353	-	-	3,321,354
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total A</b>	-	<b>6,523,350</b>	-	-	<b>6,523,350</b>	-	<b>3,532,289</b>	-	-	<b>3,532,290</b>
<b>B. Derivatives instruments</b>										
1. Financial derivatives	X	3,434	7,524,210	506,042	X	X	2,342	6,600,588	536,333	X
1.1 Trading	X	3,434	7,089,411	444,319	X	X	2,342	6,360,217	461,226	X
1.2 Related to fair value option	X	-	170,912	361	X	X	-	61	1,525	X
1.3 Other	X	-	263,887	61,362	X	X	-	240,310	73,582	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	<b>X</b>	<b>3,434</b>	<b>7,524,210</b>	<b>506,042</b>	<b>X</b>	<b>X</b>	<b>2,342</b>	<b>6,600,588</b>	<b>536,333</b>	<b>X</b>
<b>Total A+B</b>	<b>X</b>	<b>6,526,784</b>	<b>7,524,210</b>	<b>506,042</b>	<b>X</b>	<b>X</b>	<b>3,534,631</b>	<b>6,600,588</b>	<b>536,333</b>	<b>X</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>14,557,036</b>					<b>10,671,552</b>		

(\*) Calculated excluding value adjustment due to variations in the credit rating of issuer since the issue date.

"Deposit from banks" and "Deposit from customers" are referred to technical overdrafts in respect of which no nominal amount was attributed.

Balance-sheet liabilities have increased as a result of the recognition of technical overdrafts typical of primary dealer and market maker transactions in government bonds ("Markets" transactions).

"Financial derivatives: other" comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category other than held-for-trading or fair value option and (ii) derivatives that, for economic purposes, are associated with Banking Book instruments.

## Section 5 - Financial liabilities at fair value through profit or loss - Item 50

### 5.1 Financial liabilities at fair value through profit or loss: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2016					AMOUNTS AS AT 12.31.2015				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>1. Deposits from banks</b>	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
<b>2. Deposits from customers</b>	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>3. Debt securities</b>	<b>2,053,774</b>	-	<b>2,102,895</b>	-	<b>2,072,224</b>	-	-	-	-	-
3.1 Structured	2,053,774	-	2,102,895	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total</b>	<b>2,053,774</b>	-	<b>2,102,895</b>	-	<b>2,072,224</b>	-	-	-	-	-
<b>Total Level 1, Level 2 and Level 3</b>			<b>2,102,895</b>							-

(\*) Fair value: evaluated without changes in fair value due to issuer's merit credit from issuance date.

The item "3.1 Debt securities - Structured" includes "Certificates", structured debt securities, issued by UniCredit S.p.A. starting from the first quarter of 2016, equal to €1,612 million. These securities are classified as measured at fair value through profit or loss and their embedded derivative component has not been separated. Furthermore, during the period have been issued €491 million of mandatorily-settled secured equity linked certificates referred to the disposal of Bank Pekao S.A.

## Part B - Balance Sheet - Liabilities

## Section 6 - Hedging derivatives - Item 60

## 6.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ '000)

	AMOUNTS AS AT 12.31.2016				AMOUNTS AS AT 12.31.2015			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	<b>11,782</b>	<b>6,115,078</b>	<b>15</b>	<b>206,208,512</b>	-	<b>6,629,590</b>	<b>29</b>	<b>167,356,835</b>
1) Fair value	11,782	5,899,779	15	197,584,544	-	6,512,032	29	161,137,635
2) Cash flows	-	215,299	-	8,623,968	-	117,558	-	6,219,200
3) Net investment in foreign	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,782</b>	<b>6,115,078</b>	<b>15</b>	<b>206,208,512</b>	-	<b>6,629,590</b>	<b>29</b>	<b>167,356,835</b>

Total Level 1, Level 2 e Level 3

6,126,875

6,629,619

## 6.2 Hedging derivatives: breakdown by hedged items and risk type

(€ '000)

TRANSACTIONS/HEDGE TYPES	AMOUNTS AS AT 12.31.2016								
	FAIR VALUE					CASH FLOWS			FOREIGN INVESTMENTS
	MICRO-HEDGE					MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	
	INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS				
1. Available-for-sale financial assets	1,671,353	16,918	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Held to maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	3,788,074	X	215,299	X
5. Others	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>1,671,353</b>	<b>16,918</b>	-	-	-	<b>3,788,074</b>	-	<b>215,299</b>	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	435,231	X	-	X
<b>Total liabilities</b>	-	-	-	-	-	<b>435,231</b>	-	-	-
1. Highly probable transactions (CFH)	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

## Section 7 - Changes in fair value of portfolio hedged financial liabilities - Item 70

## 7.1 Changes to macro-hedged financial liabilities

(€ '000)

CHANGES TO MACRO-HEDGED LIABILITIES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
1. Positive changes to financial liabilities	3,099,026	3,409,819
2. Negative changes to financial liabilities	(305,828)	(370,645)
<b>Total</b>	<b>2,793,198</b>	<b>3,039,174</b>

## 7.2 Liabilities subject to macro-hedging of interest rate risk: breakdown

(€ '000)

HEDGED LIABILITIES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
1. Deposits	-	-
2. Debt securities in issue	-	-
3. Portfolio	79,512,573	88,446,097
<b>Total</b>	<b>79,512,573</b>	<b>88,446,097</b>

## Section 8 - Tax liabilities - Item 80

See Section 13 of assets.

## Section 9 - Liabilities included in disposal groups classified as held for sale - Item 90

See Section 14 of assets.

## Section 10 - Other liabilities - Item 100

### 10.1 Other liabilities: breakdown

(€ '000)

ITEM/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
Liabilities in respect of financial guarantees issued	10,042	11,514
Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds	494,850	248,696
Obligations for irrevocable commitments to distribute funds	-	-
Accrued expenses other than those to be capitalized for the financial liabilities concerned	85,472	76,699
Share Based Payment classified as liabilities under IFRS2	4,233	-
Other liabilities due to other staff	975,523	340,059
Interest and amounts to be credited to:	-	-
- <i>customers</i>	-	-
- <i>banks</i>	-	-
Items in transit between branches and not yet allocated to destination accounts	31,597	37,952
Available amounts to be paid to others	-	923,365
Items in processing	675,851	1,153,271
Entries related to securities transactions	73,404	171,811
Items deemed definitive but not attributable to other lines:	3,526,809	2,487,252
- <i>accounts payable - suppliers</i>	626,016	451,693
- <i>other entries</i>	2,900,793	2,035,559
Liabilities for miscellaneous entries related to tax collection service	-	-
Adjustments for unpaid portfolio entries	-	791,835
Tax items different from those included in item 80	1,252,100	956,144
Other entries	160,849	175,335
<b>Total</b>	<b>7,290,730</b>	<b>7,373,933</b>

## Part B - Balance Sheet - Liabilities

## Section 11 - Provision for employee severance pay - Item 110

The "TFR" provision for Italy-based employee benefits is to be constructed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 - Main Items of the Accounts).

## 11.1 Provision for employee severance pay: annual change

(€ '000)

	CHANGES IN	
	2016	2015
<b>A. Opening balances</b>	<b>1,028,374</b>	<b>1,059,052</b>
<b>B. Increases</b>	<b>63,213</b>	<b>24,352</b>
B.1 Provisions for the year	17,910	16,959
B.2 Other increases	45,303	7,393
<i>of which: business combinations</i>	63	1,116
<b>C. Reductions</b>	<b>71,874</b>	<b>55,029</b>
C.1 Severance payments	67,237	30,584
C.2 Other decreases	4,637	24,445
<i>of which: business combinations</i>	4,135	-
<b>D. Closing balance</b>	<b>1,019,713</b>	<b>1,028,375</b>

## 11.2 Provisions for employee severance pay: other information

(€ '000)

	CHANGES IN	
	2016	2015
<b>Cost Recognised in P&amp;L:</b>	<b>17,910</b>	<b>16,959</b>
- Current Service Cost	-	-
- Interest Cost on the DBO	17,910	16,959
- Settlement (Gain)/Loss	-	-
- Past Service Cost	-	-
<b>Remeasurement Effects (Gains) Losses Recognised in OCI</b>	<b>43,082</b>	<b>(23,424)</b>
<b>Annual weighted average assumptions</b>		
- Discount rate	1.25%	1.75%
- Price inflation	1.10%	1.00%

The financial duration of the commitments is 8,7 years; the balance of the negative Revaluation reserves net of tax changed from -€88,723 at December 31, 2015 to -€119,958 at December 31, 2016.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €22,488 (+2.21%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €21,949 (-2.15%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €13,656 (-1.34%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €13,820 (+1.36%).

## Section 12 - Provisions for risks and charges - Item 120

### 12.1 Provisions for risks and charges: breakdown

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1. Pensions and other post-retirement benefit obligations</b>	<b>373,189</b>	<b>735,895</b>
<b>2. Other provisions for risks and charges</b>	<b>3,034,139</b>	<b>1,865,558</b>
2.1 Legal disputes	571,021	431,520
2.2 Staff expenses	1,308,377	926,901
2.3 Other	1,154,741	507,137
<b>Total</b>	<b>3,407,328</b>	<b>2,601,453</b>

To cover liabilities that may result from pending lawsuits (excluding labor disputes, tax cases or credit recovery actions), UniCredit S.p.A. has set aside a provision for risks and charges of €513 million at December 31, 2016 (€337 million at December 31, 2015). More details are included into Part E - Information on risks and risks management policies.

Increase into provisions for risks and charges point 2.2 Staff expenses is referred to costs related to the new Strategic business plan 2016-2019, approved in December 2016.

Decrease in sub-item 1. Pensions and other post-retirement benefits obligations arise from settlement of portion of Italian *defined benefit* Pension Plans; for additional information refer to table 12.3 - Description of the funds

### 12.2 Provisions for risks and charges: annual changes

(€ '000)

ITEMS/COMPONENTS	CHANGES IN 2016		
	PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS	TOTAL
<b>A. Opening balance</b>	<b>735,895</b>	<b>1,865,558</b>	<b>2,601,453</b>
<b>B. Increases</b>	<b>32,614</b>	<b>2,212,533</b>	<b>2,245,147</b>
B.1 Provisions for the year <sup>(*)</sup>	893	2,108,632	2,109,525
B.2 Changes due to the passing time	12,205	444	12,649
B.3 Differences due to discount-rate changes	-	2,208	2,208
B.4 Other adjustments	19,516	101,249	120,765
<i>of which: business combinations</i>	144	60,702	60,846
<b>C. Decreases</b>	<b>395,320</b>	<b>1,043,952</b>	<b>1,439,272</b>
C.1 Use during the year	336,507	283,023	619,530
C.2 Differences due to discount-rate changes	-	100	100
C.3 Other adjustments <sup>(**)</sup>	58,813	760,829	819,642
<i>of which: business combinations</i>	546	5,295	5,841
<b>D. Closing balance<sup>(***)</sup></b>	<b>373,189</b>	<b>3,034,139</b>	<b>3,407,328</b>

(\*) For the Pensions and post-retirement benefit obligations, the amount includes the contributions paid by the Company of €86,723 thousand.

(\*\*) Including gains on settlement of 56,568 thousand regarding partial reduction of Italian Pension Funds liability.

(\*\*\*) Of which: Provisions for defined-benefit company pensions of €372,513 thousand.

## Part B - Balance Sheet - Liabilities

## 12.3 Provisions for defined-benefit company pensions

## 1. Description of the funds

In respect of Pensions and other post-retirement benefit obligations, the Annexes provide details of Fund movements and include statements of changes in funds with segregated assets pursuant to article 2117 of the Italian Civil Code, as well as explanatory notes thereto.

Allocations to funds other than those with segregated assets are indiscriminately invested in asset items. Therefore, it is not possible to provide any statement of these funds.

For details of the methods used to calculate the present value of the defined benefit plans, see the specific section "12 - Provisions for risks and charges" in Part A of these Notes to the Accounts. The discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of high quality corporate bonds.

In the light of evolving common interpretation about "high quality corporate bonds" identification and persisting interest rates decreasing trend, UniCredit refined its Discount Rate setting methodology by limiting the number of "investment grade" bonds whose rating is lower than AA (i.e. No.13 securities ranging in 15/30y maturity), for which an adjustment is made to reduce the excess-return. In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above 25y in order to stick the long-term maturity segment of the curve to the Euribor implied-forward rate).

During the year a portion of liabilities referred to the Italian pension funds (for an amount of € 319 million) was paid as part of a bid made to all the beneficiaries and individually accepted by ca. 5,000 pensioners who have received a lump sum amount paid during the fourth quarter of 2016.

The balance of the negative Revaluation reserves net of tax changed from -€134,915 thousands at December 31, 2015 to -€92,505 thousands at December 31, 2016.

(€ '000)

2. CHANGES OF NET DEFINED BENEFIT LIABILITY/ASSET AND ANY REIMBURSEMENT RIGHTS AS OF THE PERIOD END DATE		
NET DEFINED BENEFIT LIABILITY/ASSET AS OF THE PERIOD END DATE	12.31.2016	12.31.2015
Defined benefit obligation	405,740	731,505
Fair value of assets	(33,227)	(32,285)
<b>Deficit/(Surplus)</b>	<b>372,513</b>	<b>699,220</b>
Irrecoverable surplus (effect of asset ceiling)	-	-
<b>Net defined benefit liability/(asset) as of the period end date</b>	<b>372,513</b>	<b>699,220</b>

(€ '000)

2.1 CHANGES IN DEFINED BENEFIT OBLIGATIONS		
	12.31.2016	12.31.2015
Defined benefit obligation as of the prior period end date	731,505	820,409
Current service cost	806	716
Settlement (gain)/loss	(56,568)	-
Past service cost	-	-
Interest cost on the defined benefit obligation	13,147	13,981
Net actuarial (gain)/loss	19,320	1,319
Plan participants' contributions	-	14
Disbursements from plan assets	-	-
Disbursements directly paid by the employer	(37,096)	(64,253)
Settlements	(263,287)	-
Other changes on defined benefit obligation	(2,087)	(40,681)
<b>Total defined benefit obligations as of the period end date</b>	<b>405,740</b>	<b>731,505</b>

(€ '000)

2.2 CHANGES TO PLAN ASSETS		
	12.31.2016	12.31.2015
Fair value of plan assets as of the prior period end date	32,285	29,541
Interest Income on Plan Assets	942	958
Return on plan assets greater/(less) than discount rate	-	-
Employer contributions	-	1,786
Disbursements from plan assets	-	-
Settlements	-	-
Other changes on plan assets	-	-
<b>Total fair value of plan assets as of the period end date</b>	<b>33,227</b>	<b>32,285</b>



(€ '000)

3. INFORMATION ABOUT PLAN ASSETS	12.31.2016	12.31.2015
1. Equities	16,889	17,338
2. Bonds	7,821	9,770
3. Units in investment funds	1,235	-
4. Properties	1,894	2,356
5. Derivative instruments	-	-
6. Others	5,388	2,821
<b>Total</b>	<b>33,227</b>	<b>32,285</b>

4. PRINCIPAL ACTUARIAL ASSUMPTIONS	12.31.2016 %	12.31.2015 %
Discount rate	1.48	1.83
Expected return on plan assets	1.48	1.83
Rate of increase in future compensation and vested rights	2.57	2.23
Rate of increase in pension obligations	1.10	0.88
Expected inflation rate	1.37	1.16

5. INFORMATION ON AMOUNT, TIMING AND UNCERTAINTY OF CASH FLOWS	12.31.2016
- Impact of changes in financial/demographic assumptions on DBOs	
<b>a. Discount rate</b>	
a1. -25 basis points	10,508 2.59%
a2. +25 basis points	(10,004) -2.46%
<b>b. Pensions increase rate</b>	
b1. -25 basis points	(5,010) -1.23%
b2. +25 basis points	5,321 1.31%
<b>c. Mortality</b>	
c1. Survival rate +1 year	22,854 5.63%
- Weighted average duration (years)	10.10

#### 12.4 Provisions for risks and charges - other provisions

(€ '000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>2.3 Other provisions for risks and charges - other</b>		
Out-of-court settlements, accidents and other claims	15,166	14,882
Tax Disputes	53,857	17,732
Guarantees and other risks connected with equity investment	590,847	154,612
Other	494,871	319,911
<b>Total</b>	<b>1,154,741</b>	<b>507,137</b>

In connection to commitments towards the subsidiary UniCredit Leasing S.p.A. to cover its losses, a specific provision for €470 million has been created between provisions for "Guarantees and other risks connected with equity investments".

## Section 13 - Redeemable shares - Item 140

No data to be disclosed in this section.

## Part B - Balance Sheet - Liabilities

## Section 14 - Shareholders' Equity - Items 130, 150, 160, 170, 180, 190 and 200

Further information about Shareholders' Equity are represented in Part F - Shareholders' Equity.

## 14.1 "Share capital" and "treasury shares" - breakdown

(€ '000)

	12.31.2016		12.31.2015	
	ISSUED SHARES	UNDERWRITTEN SHARES	ISSUED SHARES	UNDERWRITTEN SHARES
<b>A.Share capital</b>				
A.1 ordinary shares	20,838,376	-	20,249,250	-
A.2 saving shares	8,517	-	8,418	-
<b>Total A</b>	<b>20,846,893</b>	<b>-</b>	<b>20,257,668</b>	<b>-</b>
<b>B. Treasury Shares</b>				
B.1 ordinary shares	(2,440)	-	(2,440)	-
B.2 savings shares	-	-	-	-
<b>Total (B)</b>	<b>(2,440)</b>	<b>-</b>	<b>(2,440)</b>	<b>-</b>

In the course of 2016 share capital, which at December 31, 2015 was represented by No.5,967,177,811 ordinary shares and No.2,480,677 savings shares, both categories with no per-share face value.

Specifically, share capital rose from €20,257,668 thousand at the end of 2015 to €20,846,893 thousand following the free share capital increases of:

- €40,674 thousand, resolved by the Board of Directors' meeting of February 9, 2016, executed through the concurrent withdrawal from the specifically constituted "reserves related to the medium-term incentive program for Group staff", which resulted in the issue No.11,993,660 ordinary shares;
- €548,551 thousand, resolved by the Shareholders' Meeting of April 14, 2016 for the payment of the "Scrip Dividend" for 2015, through the concurrent withdrawal from the existing reserves.

In particular, the Shareholders' Meeting held to approve UniCredit S.p.A.'s financial statements as at December 31, 2016 approved the distribution of a dividend of €706,181,777,04 to shareholders through withdrawal from retained earnings. Specifically, the Meeting approved a Scrip dividend scheme under which the holders of UniCredit ordinary shares and the holders of UniCredit savings shares will be allocated 1 new share for every 23 shares held and 1 new share for every 54 shares held, respectively, without prejudice to the shareholders' right to opt for a cash payout in lieu of the allocation of the new shares.

The scrip dividend, which took place on May 5, 2016, resulted in:

- with respect to the shareholders who decided to exercise the option to receive a cash dividend, the payment of €157,630,180.80;
- with respect to the shareholders who did not opt for a cash payout, the issue of No.198,646,706 new ordinary shares and No.44,219 new savings shares, allocated according to the ratios mentioned above. Each new ordinary and savings share issued was recognized in the Shareholders' Equity at approximately €2.67.

As a result, at December 31, 2016, the share capital is represented by No.6,177,818,177 ordinary shares and No.2,524,896 savings shares.

At the end of December 2016, the number of treasury shares outstanding was No.47,600 ordinary shares, unchanged compared to the end of 2015 as no transactions in respect of treasury shares were carried out during the period.

## 14.2 Share capital - number of shares: annual changes

ITEMS/TYPE	CHANGES IN 2016		TOTALE
	ORDINARY	OTHER (SAVINGS)	
<b>A. Issued shares as at the beginning of the year</b>	<b>5,967,177,811</b>	<b>2,480,677</b>	<b>5,969,658,488</b>
- Fully paid	5,967,177,811	2,480,677	5,969,658,488
- related to "usufrutto" contract <sup>(1)</sup>	96,756,406	-	96,756,406
- other	5,870,421,405	2,480,677	5,872,902,082
- not fully paid	-	-	-
A.1 Treasury shares (-)	(47,600)	-	(47,600)
A.2 Shares outstanding: opening balance	5,967,130,211	2,480,677	5,969,610,888
<b>B. Increases</b>	<b>210,640,366</b>	<b>44,219</b>	<b>210,684,585</b>
B.1 New issues	210,640,366	44,219	210,684,585
- against payment	-	-	-
- <i>business combinations</i>	-	-	-
- <i>bonds converted</i>	-	-	-
- <i>warrants exercised</i>	-	-	-
- <i>other</i>	-	-	-
- free	210,640,366	44,219	210,684,585
- to employees	11,993,660	-	11,993,660
- to Directors	-	-	-
- other	198,646,706	44,219	198,690,925
B.2 Sales of treasury shares	-	-	-
B.3 Other changes	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-	-
C.2 Purchase of treasury shares	-	-	-
C.3 Business transferred	-	-	-
C.4 Other changes	-	-	-
<b>D. Shares outstanding: closing balance</b>	<b>6,177,770,577</b>	<b>2,524,896</b>	<b>6,180,295,473</b>
D.1 Treasury Shares (+)	47,600	-	47,600
D.2 Shares outstanding as at the end of the year	6,177,818,177	2,524,896	6,180,343,073
- Fully paid	6,177,818,177	2,524,896	6,180,343,073
- related to "usufrutto" contract <sup>(1)</sup>	96,756,406	-	96,756,406
- other	6,081,061,771	2,524,896	6,083,586,667
- not fully paid	-	-	-

(1) The usufruct agreement relative to the No.96,756,406 shares (issued in the context of the January 2009 capital increase) provides for Euribor-linked discretionary payments contingent on the payment of dividends on ordinary and/or savings shares. On these shares the voting right cannot be exercised.

## 14.3 Capital: other information

Pursuant to the resolution passed by the Extraordinary Shareholders' Meeting on December 15, 2011, ordinary and savings shares have no par value.

For specific details about the Savings shares, see Articles 5, 7 and 32 of the Articles of Association of UniCredit S.p.A.

## Part B - Balance Sheet - Liabilities

### 14.4 Reserves from allocation of profit: other information

(€ '000)

	AMOUNTS AS AT	
	12.31.2016	12.31.2015
Legal Reserve(*)	1,517,514	1,517,514
Statutory Reserve	840,018	1,217,304
Other Reserves	795,267	941,872
<b>Total</b>	<b>3,152,799</b>	<b>3,676,690</b>

(\*) The "Legal reserve" includes also € 2,683,391 thousand constituted, as resolved by the approval of the Ordinary Shareholders' Meeting of May 11, 2013, May 13, 2014 and April 14, 2016 with the withdrawal from "Share premium Reserve" and therefore it is not classified among Reserves from allocation of profit from previous year.

For what refer to Article 2427, paragraph 22-septies of the Italian Civil Code, refer to specific Board of Directors' report.

The following table, in accordance with Article 2427, paragraph 7-bis, of the Italian Civil Code, provides details on the origin, possible uses and availability of distribution of Shareholders' Equity, as well as the summary of its use in the three previous fiscal years.

### Breakdown of Shareholders' Equity (with indication of availability and distribution)

ITEMS	AMOUNT	PERMITTED USES(*)	AVAILABLE PORTION	SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS	
				TO COVER LOSSES	OTHER REASONS
Share capital	20,846,893	-	-	-	-
Share premium	14,384,918	A, B, C (1) (2)	14,384,918	9,224,351	269,933
<b>Reserves:</b>	<b>5,828,366</b>				
Legal reserve	4,200,905	B (3)	4,200,905	-	-
Reserve for treasury shares or interests	2,440	-	-	-	-
Statutory reserves	840,018	A, B, C (4)	840,018	-	377,286 (15)
Reserves arising out of share swaps	511,210	A, B, C	511,210	-	-
Reserves arising out of transfer of assets	477,090	A, B, C (5)	477,090	-	-
Reserves arising out of split-offs	15,672	A, B, C	15,672	-	-
Reserves related to the medium-term incentive programme for Group staff	62,619	- (6)	-	-	123,562 (16)
Reserve related to equity-settled plans	566,544	-	-	-	-
Reserve related to business combinations (IFRS3)	2,118,624	A, B, C (7)	2,118,624	-	-
Reserve related to business combinations within the Group	486,531	A, B, C (8)	486,531	3,818,208	-
Reserve for allocating profits to Shareholders through the issuance of new free shares	-	A, B, C (9)	-	-	1,193,962 (17)
Reserve pursuant to Art.6, paragraph 2 Legislative Decree 38/2005	20,416	B (10)	20,416	-	-
Other reserves	36,999	A, B, C (11)	36,999	-	-
Negative components of Shareholders' Equity	(3,510,702)	(12)	(3,510,702)	-	-
<b>Revaluation reserves:</b>	<b>716,181</b>				
Monetary equalisation reserve under L.576/75	4,087	A, B, C (13)	4,087	-	-
Monetary revaluation reserve under L.72/83	84,658	A, B, C (13)	84,658	-	-
Asset revaluation reserve under L.408/90	28,965	A, B, C (13)	28,965	-	-
Property revaluation reserve under L.413/91	159,310	A, B, C (13)	159,310	-	-
Available-for-sale financial assets reserve	643,991	- (14)	-	-	-
Cash-flow hedges reserve	6,677	- (14)	-	-	-
Reserve for actuarial gains (losses) on employee defined - benefit plans	(211,507)	-	-	-	-
<b>Total</b>	<b>41,776,358</b>		<b>19,858,701</b>	<b>13,042,559</b>	<b>1,964,743</b>
<b>Portion not allowed in distribution(**)</b>			<b>5,349,762</b>		
<b>Remaining portion available for distribution(***)</b>			<b>14,508,939</b>		

(\*) A: for capital increase; B: to cover losses; C: distribution to shareholders.

(\*\*) Includes the part of Share premium (see note 2), the remainder is distributable because the legal reserve is at the level of one-fifth of the share capital, as per Art.2430 of the Civil Code.

(\*\*\*) The distributable amount is net of negative items.

**Notes:**

- (1) Reserve used in last three years to cover losses of 2014 and 2016 for €9,224,351 to supplement the legal reserve for €269,933 thousand.
- (2) The amount of Share premium reserve generated as a result of the business combination with Capitalia exceeds the shareholders' equity of the absorbed company (€8,564,500) thousand and includes €8,148,266 thousand considered as available for distribution following the impairment losses on goodwill, intangible assets and equity investments and recognized on each occasion through profit or loss. The remaining amount of €416,234 thousand is considered not distributable.
- (3) Reserve available to cover losses only after the utilization of other reserves, except for the reserves pursuant to Article 6, paragraph 2, of the Legislative Decree 38/2005. The reserve includes €2,683,390 thousand taken from Share Premium as approved by the Ordinary Shareholders' Meetings of May 11, 2013, May 13, 2014 and April 14, 2016.
- (4) Reserve established for €1,195,845 thousand by resolution of Ordinary Shareholders' Meeting of May 11, 2013 following the reallocation of the loss for the year 2011 posted entirely to the share premium reserve; the reserve was increased by € 21,459 thousand by Shareholders' Meeting resolution of May 13, 2015 for 2014 net profit distribution and used for €377,286 thousands in 2016 to pay scrip dividend for the year 2015 by Shareholders' Meeting resolution of April 14, 2016.
- (5) The amount includes €214,747 thousand which is distributable according to the procedure established Article 2445 of the Italian Civil Code. If the reserve is utilized to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution extraordinary shareholder's meeting resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.
- (6) Allocation constraints to render the reserve available and distributable may be approved by the shareholders' meeting.
- (7) The Reserve from business combination (IFRS3) is considered as distributable for €1,406,433 thousand following value adjustments due to the decrease in UniCredit Bank AG and UniCredit Bank Austria AG investments, which are recognized in the income statement.
- (8) The amount of €3,818,208 thousand, resulting from the transfer in 2007 to UniCredit Bank Austria AG (formerly Bank Austria Creditanstalt AG) of a business unit consisting of controlling interests in commercial banks domiciled in central-eastern Europe and related management and support operations, was used in full to partially cover the losses for the year 2013 by Shareholders' Meeting resolution of May 13, 2014.
- (9) Reserve established for the entire amount of €1,193,962 thousand in 2013 following the reallocation of the loss for the year 2011 to the share premium reserve and entirely used for the payment dividends in the year 2014, 2015 and 2016.
- (10) If this Reserve is used to cover losses, profits cannot be distributed until this Reserve has been replenished by allocating profits from future years.
- (11) Other reserves include the reserve pursuant to Art.19 of Legislative Decree 87/92 equal to €16 thousand non-distributable.
- (12) Negative items of shareholders' equity affect the availability and distributability of positive reserves of the shareholders equity.
- (13) If these reserves are utilized to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution of the Extraordinary Shareholders' Meeting Resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Civil Code. If the reserve is not recognized under share capital, it may only be reduced by resolution adopted in application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.
- (14) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.
- (15) Amount paid to shareholders in the year 2015.
- (16) For capital increase with respect to allocation of performance shares connected to the personnel incentive plan.
- (17) Amounts paid to shareholders in the years 2014 (€399,166 thousand), 2015 (€465,901 thousand) and 2016 (328.895 thousands) with settlement in cash and scrip dividend.

In detail the composition of Other negative components of Shareholders' Equity:

ITEMS	12.31.2016
Reserve related to business combinations within the Group	(2,324,661)
Reserve arising out of transfers of assets within the Group under Art.58 Banking law	(469,495)
Reserve arising out of capital instrument and cashes	(635,407)
ESOP share price reserve	(19,747)
Reserve arising out share based payments cash settlement	(4,713)
Reserve related to settlement of actuarial gain/losses on definend benefits plans	(56,679)
<b>Total</b>	<b>(3,510,702)</b>

Item "Reserve related to business combinations within the Group" includes the overall difference (€2,297,202 thousand) of UniCredit S.p.A. arising from the incorporation (with accounting effect starting from January 1, 2016) of UCG Beteiligungsverwaltung GmbH (Austrian company wholly owned by UniCredit S.p.A.), in which the "CEE business" branch had been broken up from UniCredit Bank Austria AG. For further information please refer to Part G - Business Combinations - Section 1 - Business Combinations completed in the year.

## Part B - Balance Sheet - Liabilities

## Other Information

## 1. Guarantees given and commitments

(€ '000)

TRANSACTIONS	AMOUNTS AS AT	
	12.31.2016	12.31.2015
<b>1) Financial guarantees given to</b>	<b>19,417,672</b>	<b>21,122,729</b>
a) Banks	8,433,527	10,365,315
b) Customers	10,984,145	10,757,414
<b>2) Commercial guarantees given to</b>	<b>20,572,967</b>	<b>18,405,819</b>
a) Banks	2,451,316	2,502,678
b) Customers	18,121,651	15,903,141
<b>3) Other irrevocable commitments to disburse funds</b>	<b>30,204,804</b>	<b>31,564,733</b>
a) banks:	3,105,653	5,714,918
i) usage certain	2,143,254	2,592,127
ii) usage uncertain	962,399	3,122,791
b) customers:	27,099,151	25,849,815
i) usage certain	4,718,776	6,443,576
ii) usage uncertain	22,380,375	19,406,239
<b>4) Underlying obligations for credit derivatives: sales of protection</b>	<b>-</b>	<b>-</b>
<b>5) Assets used to guarantee others' obligations</b>	<b>3,272</b>	<b>3,258</b>
<b>6) Other commitments</b>	<b>368,499</b>	<b>228,363</b>
<b>Total</b>	<b>70,567,214</b>	<b>71,324,902</b>

## 2. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT	
	12.31.2016	12.31.2015
1. Financial assets held for trading	3,096,882	1,118,403
2. Financial assets designated at fair value	1,035	1,101
3. Financial assets available for sale	34,984,068	34,867,717
4. Financial assets held to maturity	739,453	750,293
5. Loans and receivables with banks	830,591	2,748,379
6. Loans and receivables with customers	46,400,123	37,333,255
7. Property, plant and equipment	-	-

Deposits from banks include €18,150 million related to Banca d'Italia's refinancing operations collateralized by credit value €12,171 million and securities nominal value €9,703 million.

Of these, the securities not recognized on balance-sheet, since they represent repurchased or retained UniCredit S.p.A.'s financial liabilities, amount to nominal €9,703 million.

## Security borrowing transactions collateralized by securities or not collateralized

(€ '000)

LENDER BREAKDOWN	AMOUNTS AS AT 12.31.2016			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSES			
	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	-	-	-	-
B. Financial companies	-	-	1,181	-
C. Insurance companies	-	-	-	-
D. Non-Financial companies	-	-	-	-
E. Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,181</b>	<b>-</b>

### 3. Operating leases

No data to be disclosed.

### 4. Asset management and trading on behalf of others

(€ '000)

TYPE OF SERVICES	AMOUNT AS AT	
	12.31.2016	12.31.2015
<b>1. Management and trading on behalf of third parties</b>		
a) purchases	-	-
1. settled	-	-
2. unsettled	-	-
b) sales	-	-
1. settled	-	-
2. unsettled	-	-
<b>2. Segregated accounts</b>		
a) individual	4,965,778	10,051,733
b) collective	-	-
<b>3. Custody and administration of securities</b>		
a) third party securities on deposits: relating to depositary bank activities (excluding segregated accounts)	-	-
1. securities issued by the bank preparing the accounts	-	-
2. other securities	-	-
b) third party securities held in deposits (excluding segregated accounts): other	121,204,156	142,021,849
1. securities issued by the bank preparing the accounts	13,203,461	20,256,078
2. other securities	108,000,695	121,765,771
c) third party securities deposited with third parties	120,255,024	140,762,578
d) property securities deposited with third parties	92,119,914	87,146,245
<b>4. Other</b>	<b>8,245,303</b>	<b>8,587,351</b>

The values as at December 31, 2016 regarding "2. Segregated accounts a) individual and "3. Custody and administration of securities b) third party securities held in deposits (excluded segregated accounts): other" were impacted by the transfer of the managed amounts included in the transfer operation of the branch "Ultra High Network Wealth Individuals" (UHNWI) to the subsidiary Cordusio SIM S.p.A., occurred on November 1, 2016. For further information please refer to Part G - Business Combinations - Section 1 - Business Combinations completed in the year.

## Part B - Balance Sheet - Liabilities

## 5. Assets subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET		NET AMOUNTS AT 12.31.2016 (F=C-D-E)	NET AMOUNTS AT 12.31.2015
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	12,949,764	-	12,949,764	12,208,174	42,329	699,261	206,816
2. Reverse repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2016</b>	<b>12,949,764</b>	<b>-</b>	<b>12,949,764</b>	<b>12,208,174</b>	<b>42,329</b>	<b>699,261</b>	<b>X</b>
<b>Total 12.31.2015</b>	<b>9,774,064</b>	<b>-</b>	<b>9,774,064</b>	<b>9,390,727</b>	<b>176,521</b>	<b>X</b>	<b>206,816</b>

## 6. Liabilities subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET		NET AMOUNTS AT 12.31.2016 (F=C-D-E)	NET AMOUNTS AT 12.31.2015
				FINANCIAL INSTRUMENTS (D)	CASH COLLATERAL PLEDGED (E)		
1. Derivatives	13,809,188	-	13,809,188	12,208,174	850,221	750,793	-
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>Total 12.31.2016</b>	<b>13,809,188</b>	<b>-</b>	<b>13,809,188</b>	<b>12,208,174</b>	<b>850,221</b>	<b>750,793</b>	<b>X</b>
<b>Total 12.31.2015</b>	<b>10,610,851</b>	<b>-</b>	<b>10,610,851</b>	<b>9,390,727</b>	<b>1,220,124</b>	<b>X</b>	<b>-</b>







## Part C - Income Statement

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## Part C - Income Statement

### Section 1 - Interest income and expense - Item 10 and 20

#### 1.1 Interest income and similar revenues: breakdown

(€ '000)

ITEMS/TYPE	YEAR 2016				YEAR 2015
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
1. Financial assets held for trading	26,503	-	-	26,503	41,997
2. Available-for-sale financial assets	774,734	-	-	774,734	1,010,962
3. Held-to-maturity investments	5,698	-	-	5,698	10,869
4. Loans and receivables with banks	14,946	163,986	-	178,932	212,650
5. Loans and receivables with customers	21,354	4,636,184	-	4,657,538	5,313,701
6. Financial assets at fair value through profit or loss	802	-	-	802	9,124
7. Hedging derivatives	X	X	573,854	573,854	678,773
8. Other assets	X	X	9,504	9,504	9,551
<b>Total</b>	<b>844,037</b>	<b>4,800,170</b>	<b>583,358</b>	<b>6,227,565</b>	<b>7,287,627</b>

The interest accrued during the year on positions classified at December 31, 2016 as "impaired" amount to €495 million.  
The negative interest components on financial assets, contributing to net interest margin, amount €112 million.

#### 1.2 and 1.5 Interest income/expense and similar revenues/charges: hedging differentials

(€ '000)

ITEMS	YEAR 2016	YEAR 2015
A. Positive differentials relating to hedging operations	2,592,926	2,987,304
B. Negative differentials relating to hedging operations	(2,019,072)	(2,308,531)
<b>C. Net differential</b>	<b>573,854</b>	<b>678,773</b>

#### 1.3.1 Interest income from financial assets denominated in currency

(€ '000)

ITEMS	YEAR 2016	YEAR 2015
a) Assets denominated in currency	87,598	133,322

#### 1.4 Interest expense and similar charges: breakdown

(€ '000)

ITEMS/TYPE	YEAR 2016				YEAR 2015
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
1. Deposits from Central banks	(8,860)	X	-	(8,860)	(15,483)
2. Deposits from banks	(212,933)	X	-	(212,933)	(123,376)
3. Deposits from customers	(85,967)	X	-	(85,967)	(302,102)
4. Debt securities in issue	X	(2,208,257)	-	(2,208,257)	(2,793,228)
5. Financial liabilities held for trading	-	-	(14,513)	(14,513)	(14,587)
6. Financial liabilities at fair value through profit or	-	-	-	-	-
7. Other liabilities and funds	X	X	(3,499)	(3,499)	(3,609)
8. Hedging derivatives	X	X	-	-	-
<b>TOTAL</b>	<b>(307,760)</b>	<b>(2,208,257)</b>	<b>(18,012)</b>	<b>(2,534,029)</b>	<b>(3,252,385)</b>

The negative interest components on financial liabilities, contributing to net interest margin, amount €182 million.

#### 1.6.1 Interest expense on liabilities denominated in currency

(€ '000)

ITEMS	YEAR 2016	YEAR 2015
a) Liabilities denominated in currency	(106,884)	(182,322)

## Section 2 - Fees and commissions - Item 40 and 50

### 2.1 Fee and commission income: breakdown

(€ '000)

TYPE OF SERVICES/VALUES	YEAR 2016	YEAR 2015
<b>a) guarantees given</b>	<b>334,586</b>	<b>376,448</b>
<b>b) credit derivatives</b>	-	-
<b>c) management, brokerage and consultancy services:</b>	<b>1,848,078</b>	<b>1,903,855</b>
1. securities trading	2	5
2. currency trading	97,599	99,693
3. portfolio management	84,484	91,081
3.1 individual	84,484	91,081
3.2 collective	-	-
4. custody and administration of securities	11,157	11,387
5. custodian bank	-	-
6. placement of securities	895,952	914,904
7. reception and transmission of orders	103,776	125,073
8. advisory services	19,301	28,073
8.1 related to investments	9,668	12,701
8.2 related to financial structure	9,633	15,372
9. distribution of third party services	635,807	633,639
9.1 portfolio management	8,118	11,242
9.1.1 individual	8,118	11,242
9.1.2 collective	-	-
9.2 insurance products	617,632	612,076
9.3 other products	10,057	10,321
<b>d) collection and payment services</b>	<b>664,354</b>	<b>614,293</b>
<b>e) securitization servicing</b>	<b>47,561</b>	<b>52,159</b>
<b>f) factoring</b>	-	-
<b>g) tax collection services</b>	-	-
<b>h) management of multilateral trading facilities</b>	-	-
<b>i) management of current accounts</b>	<b>857,843</b>	<b>901,776</b>
<b>j) other services</b>	<b>324,220</b>	<b>350,348</b>
<b>k) security lending</b>	<b>5,444</b>	<b>6,576</b>
<b>Total</b>	<b>4,082,086</b>	<b>4,205,455</b>

### 2.2 Fee and commission income by distribution channel

(€ '000)

CHANNELS/SECTORS	YEAR 2016	YEAR 2015
<b>a) through Group bank branches</b>	<b>1,615,624</b>	<b>1,639,300</b>
1. portfolio management	84,484	91,081
2. placement of securities	895,333	914,580
3. others' products and services	635,807	633,639
<b>b) off-site</b>	<b>619</b>	<b>324</b>
1. portfolio management	-	-
2. placement of securities	619	324
3. others' products and services	-	-
<b>c) other distribution channels</b>	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. others' products and services	-	-
<b>Total</b>	<b>1,616,243</b>	<b>1,639,624</b>

## Part C - Income Statement

## 2.3 Fee and Commissions expense: breakdown

(€ '000)

TYPE OF SERVICES/VALUES	YEAR 2016	YEAR 2015
a) guarantees received	(107,133)	(82,327)
b) credit derivatives	(1,784)	(318)
c) management, brokerage and consultancy services:	(66,868)	(72,341)
1. trading financial instruments	(9,944)	(9,510)
2. currency trading	(1,055)	(1,368)
3. portfolio management	(2,365)	(2,587)
3.1 own portfolio	(554)	(2,587)
3.2 third party portfolio	(1,811)	-
4. custody and administration of securities	(34,934)	(41,443)
5. placement of financial instruments	(200)	(168)
6. off-site distribution of financial instruments, products and services	(18,370)	(17,265)
d) collection and payment services	(133,848)	(135,057)
e) other services	(74,296)	(73,453)
f) security borrowing	(2,303)	(4,675)
<b>Total</b>	<b>(386,232)</b>	<b>(368,171)</b>

## Section 3 - Dividend income and similar revenue - Item 70

## 3.1 Dividend income and similar revenue: breakdown

(€ '000)

ITEMS/REVENUES	YEAR 2016		YEAR 2015	
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
A. Financial assets held for trading	-	-	-	-
B. Available for sale financial assets	71,888	2,468	85,461	20,659
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Investments	1,098,208	X	1,369,409	X
<b>Total</b>	<b>1,170,096</b>	<b>2,468</b>	<b>1,454,870</b>	<b>20,659</b>
<b>Total dividends and income from units in investment</b>		<b>1,172,564</b>		<b>1,475,529</b>

Provided below is the breakdown of dividends on equity investments collected during 2016 and 2015.

## Breakdown of dividends by investments

(€ '000)

	YEAR 2016	YEAR 2015
UniCredit Bank AG	398,348	626,751
Bank Pekao S.A.	256,727	313,470
Pioneer Global Asset Management S.p.A.	113,642	130,032
Fincombank S.p.A.	101,263	79,422
UniCredit Bank Ireland P.l.c.	79,000	74,000
UniCredit Factoring S.p.A.	68,182	72,671
Aviva S.p.A.	40,795	45,766
Mediobanca - Banca di Credito Finanziario S.p.A.	20,124	18,633
CNP Unicredit Vita S.p.A.	9,683	7,690
Crivelli S.r.l.	-	500
Euro TLX S.p.A.	442	300
Torre S.g.r. S.p.A.	-	173
CreditRas Vita S.p.A.	10,000	-
UniCredit Bulbank A.D.	2	1
<b>Total</b>	<b>1,098,208</b>	<b>1,369,409</b>

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

### 4.1 Gains (Losses) on financial assets and liabilities held for trading: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2016				NET PROFIT
	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	
<b>1. Financial assets held for trading</b>	<b>40,899</b>	<b>163,138</b>	<b>(60,191)</b>	<b>(160,157)</b>	<b>(16,311)</b>
1.1 Debt securities	40,891	163,118	(60,191)	(160,146)	(16,328)
1.2 Equity instruments	8	8	-	(11)	5
1.3 Units in investment funds	-	12	-	-	12
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(180,541)</b>
<b>4. Derivatives</b>	<b>343,243</b>	<b>1,281,114</b>	<b>(304,207)</b>	<b>(1,193,633)</b>	<b>337,513</b>
4.1 Financial derivatives:	343,243	1,281,114	(304,207)	(1,193,633)	337,513
- on debt securities and interest rates	342,405	814,799	(302,187)	(733,395)	121,622
- on equity securities and share indices	733	41,573	(840)	(41,227)	239
- on currency and gold	X	X	X	X	210,996
- other	105	424,742	(1,180)	(419,011)	4,656
4.2 Credit derivatives	-	-	-	-	-
<b>Total</b>	<b>384,142</b>	<b>1,444,252</b>	<b>(364,398)</b>	<b>(1,353,790)</b>	<b>140,661</b>

## Section 5 - Fair value adjustments in hedge accounting - Item 90

### 5.1 Fair value adjustments in hedge accounting: breakdown

(€ '000)

P&L COMPONENT/VALUES	YEAR 2016	YEAR 2015
<b>A. Gains on:</b>		
A.1 Fair value hedging instruments	18,052	382,029
A.2 Hedged asset items (in fair value hedge relationship)	217,818	109,792
A.3 Hedged liability items (in fair value hedge relationship)	114,957	823,368
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities</b>	<b>350,827</b>	<b>1,315,189</b>
<b>B. Losses on:</b>		
B.1 Fair value hedging instruments	(245,526)	(754,690)
B.2 Hedged asset items (in fair value hedge relationship)	(102,494)	(428,259)
B.3 Hedged liability items (in fair value hedge relationship)	(834)	(122,746)
B.4 Cash-flow hedging derivatives	(2,693)	(2,019)
B.5 Assets and liabilities denominated in currency	(2,027)	(89)
<b>Total losses on hedging activities</b>	<b>(353,574)</b>	<b>(1,307,803)</b>
<b>C. Net hedging result</b>	<b>(2,747)</b>	<b>7,386</b>

The net hedging result also reflected +€2 million resulting from model adjustments needed to reflect into derivatives valuations the presence of guarantees and credit risk of counterparties.

## Part C - Income Statement

## Section 6 - Gains (Losses) on disposals/repurchases - Item 100

## 6.1 Gains (Losses) on disposals/repurchases: breakdown

(€ '000)

ITEMS/P&L ITEMS	YEAR 2016			YEAR 2015		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>						
1. Loans and receivables with banks	30	(6)	24	-	-	-
2. Loans and receivables with customers	218,988	(214,857)	4,131	84,985	(110,853)	(25,868)
3. Available-for-sale financial assets	591,829	(296,936)	294,893	569,209	(322,711)	246,498
3.1 Debt securities	486,375	(296,894)	189,481	560,309	(322,692)	237,617
3.2 Equity instruments	105,395	(40)	105,355	8,898	(19)	8,879
3.3 Units in Investment funds	59	(2)	57	2	-	2
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
<b>Total assets</b>	<b>810,847</b>	<b>(511,799)</b>	<b>299,048</b>	<b>654,194</b>	<b>(433,564)</b>	<b>220,630</b>
<b>Financial liabilities</b>						
1. Deposits with banks	28,041	(15,409)	12,632	48,662	(23,489)	25,173
2. Deposits with customers	-	-	-	-	-	-
3. Debt securities in issue	89,971	(93,111)	(3,140)	46,131	(87,015)	(40,884)
<b>Total liabilities</b>	<b>118,012</b>	<b>(108,520)</b>	<b>9,492</b>	<b>94,793</b>	<b>(110,504)</b>	<b>(15,711)</b>
<b>Total financial assets and liabilities</b>			<b>308,540</b>			<b>204,919</b>

Gains from sale of Loans and Receivables with customers arise from sale of bonds, among which "Trevi Finance 3" bond for €103 million of euro. Gains on Available for Sale assets are essentially related to effects of the sale of government bonds, mainly Italian ones (into debt securities) and to effects from the sale of some equity instruments, including Visa Europe (€64 million), Cisaifa (€15 million) and ERG Renewal (€ 10 million).

Gains from repurchase of debts with banks arise from buyback of some deposits before their original maturity.

During first half 2016 two Tender Offer for the repurchase of own issued Tier 1 and Tier 2 bonds have been launched, generating an overall loss for -€3 million.

## Section 7 - Gains (Losses) on financial assets/liabilities at fair value through profit or loss - Item 110

## 7.1 Net change in financial assets and liabilities at fair value through profit or loss: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2016				
	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	NET PROFIT
<b>1. Financial assets</b>	<b>67</b>	<b>3</b>	<b>(65,815)</b>	<b>(3,220)</b>	<b>(68,965)</b>
1.1 Debt securities	67	-	(1,859)	(972)	(2,764)
1.2 Equity securities	-	3	(35,898)	(389)	(36,284)
1.3 Units in investment funds	-	-	(28,058)	(1,859)	(29,917)
1.4 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>21,816</b>	<b>669</b>	<b>(70,961)</b>	<b>-</b>	<b>(48,476)</b>
2.1 Debt securities	21,816	669	(70,961)	-	(48,476)
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>4. Credit and financial derivatives</b>	<b>202,571</b>	<b>1</b>	<b>(167,651)</b>	<b>-</b>	<b>34,921</b>
<b>Total</b>	<b>224,454</b>	<b>673</b>	<b>(304,427)</b>	<b>(3,220)</b>	<b>(82,520)</b>

Into financial assets, Equity Securities show the result of Astrim S.p.A.'s evaluation.



## Section 8 - Impairment losses - Item 130

### 8.1 Impairment losses on loans and receivables: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2016								YEAR 2015 TOTAL
	WRITE-DOWNS			WRITE-BACKS				TOTAL	
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		INTEREST	OTHER	INTEREST	OTHER		
<b>A. Loans and receivables with banks</b>	(28)	-	(12,186)	1	968	-	2,171	(9,074)	725
- Loans	(28)	-	(12,186)	1	968	-	2,171	(9,074)	725
- Debt securities	-	-	-	-	-	-	-	-	-
<b>B. Loans and receivables with customers</b>	(349,615)	(10,996,348)	(558,644)	654,882	881,632	-	381,052	(9,987,041)	(2,593,990)
<b>Impaired related to purchase agreements</b>	(1,529)	(16,999)	-	1,570	378	-	-	(16,580)	(2,388)
- Loans	(1,529)	(16,999)	X	1,570	378	X	X	(16,580)	(2,388)
- Debt securities	-	-	X	-	-	X	X	-	-
<b>Other loans</b>	(348,086)	(10,979,349)	(558,644)	653,312	881,254	-	381,052	(9,970,461)	(2,591,602)
- Loans	(348,086)	(10,963,466)	(558,644)	653,312	881,254	-	381,052	(9,954,578)	(2,591,602)
- Debt securities	-	(15,883)	-	-	-	-	-	(15,883)	-
<b>C. Total</b>	<b>(349,643)</b>	<b>(10,996,348)</b>	<b>(570,830)</b>	<b>654,883</b>	<b>882,600</b>	<b>-</b>	<b>383,223</b>	<b>(9,996,115)</b>	<b>(2,593,265)</b>

### 8.2 Impairment losses on available for sale financial assets: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2016					YEAR 2015 TOTAL
	WRITE-DOWNS		WRITE-BACKS			
	SPECIFIC		SPECIFIC			
	WRITE-OFFS	OTHER	INTEREST	OTHER	TOTAL	
A. Debt securities	-	(19,114)	-	-	(19,114)	-
B. Equity instruments	-	(115,244)	X	X	(115,244)	(25,984)
C. Units in investment funds	-	(550,335)	X	-	(550,335)	(15,140)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
<b>F. Total</b>	<b>-</b>	<b>(684,693)</b>	<b>-</b>	<b>-</b>	<b>(684,693)</b>	<b>(41,124)</b>

Impairment losses on Equity instruments include €44 million related to investments of Voluntary Schema of National Interbank Deposit Guarantee Fund (FITD). Impairment losses on Units in investment funds include €547 million related to impairment of the shares held in Atlante fund.

### 8.4 Impairment losses on other financial transactions: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2016								YEAR 2015 TOTAL
	WRITE-DOWNS			WRITE-BACKS				TOTAL	
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		INTEREST	OTHER	INTEREST	OTHER		
A. Guarantees given	-	(127,796)	(33,851)	-	83,790	-	18,193	(59,664)	(33,265)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	(192,607)	-	-	-	-	-	(192,607)	-
<b>E. Total</b>	<b>-</b>	<b>(320,403)</b>	<b>(33,851)</b>	<b>-</b>	<b>83,790</b>	<b>-</b>	<b>18,193</b>	<b>(252,271)</b>	<b>(33,265)</b>

In the fourth quarter of 2016, UniCredit S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers; in accordance with IAS8 (paragraph 5), since the basis for the measurement of the loans has not been modified, this change qualifies as a "change in accounting estimates". Detailed information on the effects of this change is provided, as required by IAS8 (paragraph 39) in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", which should be consulted for further information.

In addition, again in the last quarter of 2016, following the launch of the "FINO Project", involving a set of credit exposures to customers classified as Non-Performing Loans held for sale (the FINO Portfolio), and according to the specific features of the Project, the loans included in the FINO portfolio have been valued on the basis of their respective selling prices, in accordance with IAS39, and specifically paragraphs 63 and AG 84. For complete disclosure on this subject, see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)".

## Part C - Income Statement

## Section 9 - Administrative costs - Item 150

## 9.1 Payroll: breakdown

(€ '000)

TYPE OF EXPENSES/VALUES	YEAR 2016	YEAR 2015
<b>1) Employees</b>	<b>(4,422,035)</b>	<b>(3,819,951)</b>
a) wages and salaries	(2,254,622)	(2,235,008)
b) social charges	(600,922)	(614,112)
c) severance pay	(47,686)	(136,970)
d) social security costs	-	-
e) allocation to employee severance pay provision	(20,285)	(20,609)
f) provision for retirements and similar provisions:	43,550	(14,989)
- defined contribution	(87)	(1,250)
- defined benefit	43,637	(13,739)
g) payments to external pension funds:	(197,481)	(96,237)
- defined contribution	(197,539)	(96,230)
- defined benefit	58	(7)
h) costs related to share-based payments	(31,428)	(23,766)
i) other employee benefits	(1,313,161)	(678,260)
<b>2) Other staff</b>	<b>(3,999)</b>	<b>(5,428)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(7,052)</b>	<b>(6,760)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recoveries of payments for second employees to other companies</b>	<b>55,568</b>	<b>68,783</b>
<b>6) Refund of expensives for employees seconded to the company</b>	<b>(83,293)</b>	<b>(47,142)</b>
<b>Total</b>	<b>(4,460,811)</b>	<b>(3,810,498)</b>

## 9.2 Average number of employees by category

	YEAR 2016	YEAR 2015
<b>Employees:</b>	<b>39,821</b>	<b>40,276</b>
a) Senior managers	1,023	1,157
b) Managers	20,523	20,803
c) Remaining employees staff	18,275	18,316
<b>Other Staff</b>	<b>709</b>	<b>643</b>
<b>Total</b>	<b>40,530</b>	<b>40,919</b>

## 9.3 Defined benefit company pension funds: costs and revenues

(€ '000)

	YEAR 2016	YEAR 2015
Current service cost	(727)	(716)
Settlement gains (losses)	56,568	-
Past service cost	-	-
Interest cost on the DBO	(13,146)	(13,981)
Interest income on plan assets	942	958
<b>Total recognized in profit or loss</b>	<b>43,637</b>	<b>(13,739)</b>

## 9.4 Other employee benefits

(€ '000)

	YEAR 2016	YEAR 2015
- Seniority premiums(*)	18,936	-
- Leaving incentives	(1,214,601)	(538,697)
- Other	(117,496)	(139,563)
<b>Total</b>	<b>(1,313,161)</b>	<b>(678,260)</b>

(\*) The forfeiture of Ex-liberality for Seniority Premiums (25<sup>th</sup> year of service), paid by "Speciale Elargizione Welfare", resulted into release of provisions in place with related economic benefits.

The net balance in the sub-item Leaving Incentives is mainly determined by the effects envisaged by the Strategic Plan 2016-2019 that led to the signing of an agreement with the unions in Italy on February 4, 2017 for early retirement through the extraordinary industry Solidarity Fund for the population having the right to retire within the following 54 months by Plan's expiry. Previous year costs mainly refers to the effects envisaged by Strategic Plan 2015-2018.

## 9.5 Other administrative expenses: breakdown

(€ '000)

TYPE OF EXPENSES/SECTORS	YEAR 2016	YEAR 2015
<b>1) Indirect taxes and duties</b>	<b>(493,974)</b>	<b>(509,553)</b>
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(375,465)</b>	<b>(323,960)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(243,163)</b>	<b>-</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(2,490,093)</b>	<b>(2,305,646)</b>
<b>a) advertising marketing and communication</b>	<b>(82,495)</b>	<b>(78,027)</b>
<b>b) expenses related to credit risk</b>	<b>(339,209)</b>	<b>(272,397)</b>
<b>c) indirect expenses related to personnel</b>	<b>(85,466)</b>	<b>(90,845)</b>
<b>d) Information &amp; Communication Technology expenses</b>	<b>(754,670)</b>	<b>(665,093)</b>
lease of ICT equipment and software	(27,950)	(12,923)
software expenses: lease and maintenance	(4,716)	(5,115)
ICT communication systems	(6,062)	(5,431)
ICT services: external personnel/outourced services	(689,939)	(618,634)
financial information providers	(26,003)	(22,990)
<b>e) consulting and professionals services</b>	<b>(181,281)</b>	<b>(154,032)</b>
consulting	(126,069)	(97,445)
legal expenses	(55,212)	(56,587)
<b>f) real estate expenses</b>	<b>(516,335)</b>	<b>(525,660)</b>
premises rentals	(303,579)	(312,734)
utilities	(69,072)	(76,150)
other real estate expenses	(143,684)	(136,776)
<b>g) operative costs</b>	<b>(530,637)</b>	<b>(519,592)</b>
surveillance and security services	(70,112)	(59,462)
printing and stationery	(11,070)	(10,800)
postage and transport of documents	(28,320)	(30,165)
administrative and logistic services	(354,424)	(349,547)
insurance	(32,612)	(27,717)
association dues and fees	(20,590)	(19,285)
other administrative expenses - Other	(13,509)	(22,616)
<b>Total (1+2+3)</b>	<b>(3,602,695)</b>	<b>(3,139,159)</b>

Expenses related to personnel include the expenses that do not represent remuneration of the working activity of an employee in compliance with IAS19.

### Contributions to Resolution and Guarantee Funds

The item Other administrative costs holds the contributions to resolution and guarantee funds, harmonized and non-harmonized respectively equal to €305 million (of which €214 million referred to extraordinary contribution as described in the following) and €68 million.

With reference to the harmonized funds, the ordinary annual contributions due pursuant to the Directives No.49 and No.59 of 2014 are accounted for in full when the legal condition of the obligation to make payment and the application of IFRIC21 does not allow the pro-rata attribution to the interim periods.

In relation to the contribution obligations described below, such schemes have led to expenses during the period and will result in expenses in future periods as ordinary contribution scheme and potential extraordinary contributions.

- With the introduction of the European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No.806/2014 of the European Parliament and of the Council dated July 15, 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, "SRF"). The Directive provides for the launch of a compulsory contribution mechanism that entails the collection of the target level of resources by December 31, 2023, equal to 1% of the covered deposits of all the authorised institutions acting in the European territory. The accumulation period may be extended for a further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If, after the accumulation period, the available financial resources fall below the target level, the collection of contributions shall resume until that level has been recovered. Additionally, having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within a period of six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover the losses and costs of the interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualization of these are expected.
- The Directive 2014/49/EU of April 16, 2014, in relation to the DGS, aims to enhance the protection of depositors through the harmonization of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of

## Part C - Income Statement

0.8% of the amount of its members' covered deposits to be collected by July 3, 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If, after the target level has been reached for the first time, the available financial resources have been reduced to below two thirds of the target level, the regular contribution shall be set at a level to achieve the target level within six years. The contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources of a DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

The Directives No.49 and No.59 specify the possibility of introducing irrevocable payment commitments as an alternative to collection of fund contributions lost through cash, up to a maximum of 30% of the total resources target.

With reference to Directive No.59 (SRF contributions) the instrument of the irrevocable payment commitments has been used by UniCredit S.p.A. for an amount equal to 15% of full contributions paid in May 2016, resulting in the payment of guarantees in the form of cash amounting to €16 million. The cash collateral has been recognized in the balance sheet as an asset and, taking into account its contractual characteristics, steps were taken to affect the profit and loss.

For the operations in the 2015 financial year, the ordinary contribution to the SRF was €73 million for UniCredit S.p.A. In its capacity as National Resolution Authority ("NRA"), Banca d'Italia, with its Provisions dated November 21, 2015, approved by the Italian Minister of Economy and Finance on November 22, 2015, ordered the launch of a resolution programme (for Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). In particular, this related to a restructuring process which resulted in the separation of the non-performing assets of the four banks concerned, which flowed into a "bad bank", from the rest of the assets and liabilities, that flowed into four new "bridge banks", held to be sold through a competitive selling procedure on the market. As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions for 2015, in accordance with Directive No.59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore in 2015, UniCredit S.p.A. made an extraordinary contribution of €219 million to National Resolution Fund (equal to 3 times the ordinary annual contribution due in 2015).

The liquidity needed to fund this intervention was provided through a funding plan in which UniCredit S.p.A. participated throughout:

- the provision of a loan in favour of the National Resolution Fund for about €783 million (portion of a total loan of €2,350 million disbursed together with other banks), fully repaid on December 21, 2015 through the liquidity inflow from the ordinary and extraordinary contributions of 2015;
- the provision of a further tranche of the loan in favour of the National Resolution Fund whose nominal value at December 31, 2016 was €516 million with maturity in 2017 (portion of a total loan of €1,550 million disbursed together with other banks);
- the payment commitment to the National Resolution Fund for an amount of €33 million (portion of a total commitment of €100 million for a further tranche of the loan together with other banks).

In respect of the loan and the commitment, Cassa Depositi e Prestiti has assumed a commitment of financial support in favour of National Resolution Fund in the event of insufficient liquidity to the date of loan maturity, while awaiting that the National Resolution Fund finds the necessary resources through ordinary and/or extraordinary contributions.

With reference to the financing of the resolution of the four banks mentioned above, Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment for 2016, due to the National Resolution Fund, for the payment of contributions of up to twice the ordinary contribution quotas to the Single Resolution Fund, which could be activated if the funds available to the National Resolution Fund net of recoveries arising from the disposal transactions carried out by the Fund from the assets of the four banks mentioned above were not sufficient to cover the bonds, losses and costs payable by the Fund in relation to the measures provided for by the Provisions launching the resolution. In application of this faculty, in December 2016 additional €214 million (two times the ordinary contribution) have been requested by Banca d'Italia and posted into UniCredit S.p.A. profit and loss.

### Guarantee fee for DTA conversion

The fee has been recognized in UniCredit S.p.A.'s profit and loss in 2016 reporting for an amount of €243.2 million, on the basis of an estimate, which includes the fee due for the year 2015, paid in July 2016, and an estimated fee due for year 2016.

Refer to the Report on Operations - Other information - Conversion of DTAs into tax credit for further details.

## Section 10 - Provisions for risks and charges - Item 160

### 10.1 Net provisions for risks and charges: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2016			YEAR 2015 TOTAL
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
<b>1. Other provisions</b>				
1.1 legal disputes	(346,150)	94,705	(251,445)	(114,190)
1.2 staff costs	-	-	-	-
1.3 other	(803,265)	168,584	(634,681)	(184,397)
<b>Total</b>	<b>(1,149,415)</b>	<b>263,289</b>	<b>(886,126)</b>	<b>(298,587)</b>

Provisions for legal disputes are posted to cover potential liabilities that may result from pending lawsuits. More details are included into Part E - Information on risks and risks management policies.

Other provisions include €470 million related to commitments towards the subsidiary UniCredit Leasing S.p.A. to cover its losses.

## Section 11 - Impairments/write-backs on property, plant and equipment - Item 170

### 11.1 Impairment on property, plant and equipment: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2016			
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT
<b>A. Property, plant and equipment</b>				
<b>A.1 Owned</b>	<b>(125,499)</b>	<b>(55,356)</b>	<b>-</b>	<b>(180,855)</b>
- used in the business	(108,068)	(6,307)	-	(114,375)
- held for investment	(17,431)	(49,049)	-	(66,480)
<b>A.2 Finance lease</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- used in the business	-	-	-	-
- held for investment	-	-	-	-
<b>Total A</b>	<b>(125,499)</b>	<b>(55,356)</b>	<b>-</b>	<b>(180,855)</b>
<b>B. Non-current assets and groups of assets held for sale</b>	<b>X</b>	<b>(2,048)</b>	<b>-</b>	<b>(2,048)</b>
- used in the business	X	(43)	-	(43)
- held for investment	X	(2,005)	-	(2,005)
<b>Total A + B</b>	<b>(125,499)</b>	<b>(57,404)</b>	<b>-</b>	<b>(182,903)</b>

## Section 12 - Impairments/write-backs on intangible assets - Item 180

### 12.1 Impairments on intangible assets: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2016			
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT
<b>A. Intangible assets</b>				
<b>A.1 Owned</b>	<b>(1,637)</b>	<b>(491)</b>	<b>-</b>	<b>(2,128)</b>
- generated internally by the company	-	-	-	-
- other	(1,637)	(491)	-	(2,128)
<b>A.2 Finance leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(1,637)</b>	<b>(491)</b>	<b>-</b>	<b>(2,128)</b>

## Part C - Income Statement

## Section 13 - Other net operating income - Item 190

## 13.1 Other operating expense: breakdown

(€ '000)

TYPE OF EXPENSE/VALUE	YEAR 2016	YEAR 2015
Impairment losses on leashold improvements (on-non separable assets)	(21,959)	(26,270)
Other	(193,384)	(246,939)
<b>Total</b>	<b>(215,343)</b>	<b>(273,209)</b>

Other expenses include -€2 million paid to the subsidiary UniCredit Bank AG following the contract denominated "Compensation Agreement" referred to Dependency Report. For more information please refer to Part H - Related-Party Transactions.

## 13.2 Other operating revenues: breakdown

(€ '000)

TYPE OF REVENUE/VALUES	YEAR 2016	YEAR 2015
Recovery of costs	625,449	653,379
of which: <i>Commissione di istruttoria veloce (CIV)</i>	39,565	55,088
Revenues for administrative services	37,624	40,780
Rentals	30,017	39,405
Other revenues	110,738	66,653
<b>Total</b>	<b>803,828</b>	<b>800,217</b>

## Section 14 - Profit (Loss) of equity investments - Item 210

## 14.1 Profit (Loss) of investments: breakdown

(€ '000)

P&L ITEMS/VALUES	YEAR 2016	YEAR 2015
<b>A. Income</b>	<b>576,316</b>	<b>752,839</b>
1. Revaluations	-	-
2. Gains on disposal	572,260	2,937
3. Writebacks	4,056	749,902
4. Other gains	-	-
<b>B. Expense</b>	<b>(1,306,291)</b>	<b>(2,751,415)</b>
1. Writedowns	-	-
2. Impairment losses	(1,306,274)	(2,751,035)
3. Losses on disposal	(17)	(380)
4. Other expenses	-	-
<b>Net profit</b>	<b>(729,975)</b>	<b>(1,998,576)</b>

Gains on disposal include €543 million from partial sale on the market of FinecoBank S.p.A. subsidiary.

As of December 2016 impairment loss has been recognized in subsidiaries, including: €626 million UniCredit Leasing S.p.A., €377 million Koc Finansal Hizmetler, €49 million UniCredit Bank Austria, €49 million Bank Pekao S.A., €6 million UniCredit Global Leasing Export GMBH. The recoverable amounts of the entities have suffered a decrease determined by the financial projections of the Strategic Plan 2016-2019 approved in December 2016.

Impairment losses also include impairments of Compagnia Aerea Italiana S.p.A. for €12 million, Fenice S.r.l. for €11 million and Capital Dev S.p.A. for €18 million.

Before its sale, Public Joint Stock Company Ukrspotsbank, classified as Held for Disposal, has been impaired for -€145 million.

## Section 15 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 220

No data to be disclosed in this section.

## Section 16 - Impairment of goodwill - Item 230

No data to be disclosed in this section.

## Section 17 - Gains (Losses) on disposal of investments - Item 240

### 17.1 Gains (Losses) on disposal of investments: breakdown

(€ '000)

P&L ITEMS/VALUES	YEAR 2016	YEAR 2015
<b>A. Property</b>		
- gains on disposal	16,207	23,105
- losses on disposal	(69)	-
<b>B. Other assets</b>		
- gains on disposal	8,168	12,581
- losses on disposal	(2,668)	(2,031)
<b>Net Profit</b>	<b>21,638</b>	<b>33,655</b>

## Part C - Income Statement

## Section 18 - Tax expense (income) related to profit or loss from continuing operations - Item 260

## 18.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(€ '000)

P&L ITEMS/SECTORS	YEAR 2016	YEAR 2015
1. Current tax (+/-)	(8,859)	(190,255)
2. Adjustment to current tax of prior years (+/-)	125,917	21,778
3. Reduction of current tax for the year (+)	-	-
3. bis Reduction in current tax for the year due tax credit under L. 214/2011 (+)	341,369	114,590
4. Changes to deferred tax assets (+/-)	(671,024)	310,956
5. Changes to deferred tax liabilities (+/-)	14,170	17,434
<b>6. Tax expense for the year (+/-)</b>	<b>(198,427)</b>	<b>274,503</b>

## 18.2 Reconciliation of theoretical tax charge to actual to actual tax charge

(€ '000)

	YEAR 2016	YEAR 2015
<b>Total profit or loss before tax from continuing operations (item 260)</b>	<b>(11,261,706)</b>	<b>(1,715,952)</b>
Theoretical tax rate	27.5%	27.5%
<b>Theoretical computed taxes on income</b>	<b>3,096,969</b>	<b>471,887</b>
1. Different tax rates	-	-
2. Non-taxable income - permanent differences	507,536	680,649
3. Non-deductible expenses - permanent differences	(585,548)	(925,619)
4. Different fiscal laws/IRAP	29,701	35,220
a) IRAP (italian companies)	39,250	53,414
b) other taxes (foreign companies)	(9,549)	(18,194)
5. Prior years and changes in tax rates	127,236	11,606
a) effects on current taxes	124,565	19,182
- tax loss carryforward/unused tax credit	-	-
- other effects of previous periods	124,565	19,182
b) effects on deferred taxes	2,671	(7,576)
- changes in tax rates	-	-
- new taxes incurred (+) previous taxes revocation (-)	-	-
- true-ups/ adjustments of the calculated deferred taxes	2,671	(7,576)
6. Valuation adjustments and non-recognition of deferred taxes	(3,380,702)	-
a) deferred tax assets write-down	(84,007)	-
b) deferred tax assets recognition	-	-
c) deferred tax assets non-recognition	(3,296,695)	-
d) deferred tax assets non-recognition according to IAS12.39 and 12.44	-	-
e) other	-	-
7. Amortization of goodwill	-	-
8. Non-taxable foreign income	-	-
9. Other differences	6,381	760
<b>Recognized taxes on income</b>	<b>(198,427)</b>	<b>274,503</b>

Income taxes are recognized in accordance with the provisions of IAS 12. The tax charge consists of current and deferred taxes, mainly determined in accordance with the current provisions on IRES and IRAP, and separate taxation "for transparency" of CFCs.

IREs is calculated by making certain upward or downward adjustments to the year profit for determining the taxable income. These tax adjustments are made, as required by the provisions of the Italian Income Tax Code (TUIR), in relation to the non-deductibility of certain expenses or the non-taxability of certain income.

The tax rate applied to the taxable income is 27.5%.

The above-mentioned tax adjustments may be "permanent" or "temporary".

The "permanent" adjustments relate to expenses/revenues that are totally or partially non-deductible/non-taxable.

The "temporary" adjustments, on the other hand, relate to expenses or income whose deductibility or taxability is deferred to future tax periods, until the occurrence of particular events or spread in equal amounts over a predefined number of years.

The presence of "temporary" adjustments leads to the recognition of deferred tax assets (for income to be deducted) or deferred tax liabilities (for expenses to be taxed).

The purpose of the recognition of deferred tax assets and liabilities is to reconcile the different tax period established by the TUIR compared to the accounting period in the financial statements disclosure.



For IRES purposes – subject to an option to be applied for from the Agenzia delle Entrate – the tax can be paid at the national Tax Group level rather than on an individual basis.

All the Italian companies for which there is a relationship of control can adhere to the tax consolidation, which enables the payment of tax on a single taxable amount consisting of the algebraic sum of the taxable amounts of the individual companies adhering to the consolidation.

The tax rate is 27.5%.

Also within the IRES, a separate taxation “for transparency” has been established for tax incomes, recalculated in accordance with the provisions of the TUIR, of the direct and indirect foreign subsidiaries resident in tax havens (referred to as CFCs or Controlled Foreign Companies). The tax rate is 27.5%.

The IRAP, on the other hand, is a tax on production, linked to the algebraic sum of the income statement items identified by Legislative Decree 446/97, to which clearly identified upward and downward adjustments (different to those for IRES) are also to be made. Law No.190 of December 23, 2014 (2015 Stability Law) establishes – starting from 2015 – that personnel costs for employees with permanent employment contracts are fully deductible from IRAP corporate tax in addition to the deductions already established by the “cuneo fiscale”.

This tax is applied on a regional basis. A national rate of 4.65% has been established, to which each Region can independently add an increase of 0.92%, therefore up to a theoretical rate of 5.57% (plus an additional 0.15% for Regions with a health budget deficit).

The tax is calculated by apportioning the overall value of production among the various regions where the productive activities are carried out (for banks the apportionment is made on the basis of the regional distribution of the deposits) and applying the respective regional rate to each of the individual portions identified.

Income tax for 2016 amounted to a negative -€198.4 million, versus a positive value of €274.5 million in 2015

During 2016 no new tax provisions have been issued for the income tax determination.

After 2015 transition period, the 2016 represented the first year for the implementation of the provisions reported in Article 16 of Law Decree 27 June 2015 No.83 which introduced the full deductibility of the loan loss provisions directly in the year in which the provisions are recognized in the financial statements, both for IRES and IRAP taxation.

Current IRES changed from -€97.8 million to €2.967,8 million due to the Balance Sheet loss and the full deductibility of the loans loss provisions reported for a higher amount respect to the previous year.

After the performing of the sustainability test pursuant IAS12, €2.878,3 million DTA were subject to impairment although under tax perspective they represent tax losses to carry forward without any time limitation.

Current IRAP varied from -€73.2 million to an amount equal to zero due to the negative tax base generated by the consistent loans loss provisions and the fully deductibility of personnel costs for permanent employment contracts. The permanent labor cost deduction of IRAP has produced a relevant tax burden reduction of about €175 million.

In 2016 is reported, even though the rate used to calculate the benefit increased from 4.5% to 4.75% under the Stability Law 2014 (Law No.147 of December 27, 2013), a further progressive reduction of the eligible share of the benefit linked to the increase in shareholders' equity (ACE) due to the reduction in capital - owing to shareholders' reserves' distribution as dividend - and the reduction for contributions to the capital or equity of controlled entities in Italy.

The benefit for 2016, at about €16.4 million, not immediately utilizable was subject to impairment following the sustainability test fulfilment.

Owing to the Balance Sheet loss booked in 2015 Income Statements for €1,441.4 million, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits, pursuant Article 2, paragraph 55, of Decree Law 29 December 2010 No.225, were met.

The conversion was carried out for an amount of €341.4 million.

## Part C - Income Statement

In order to preserve the future regime of conversion of DTA into tax credits and to overcome the issues raised by the European Commission in connection to the application of potential State Aid rules, as per Article 11 of Law Decree No.59 of May 3, 2016 (i.e.: "Banks Decree" - converted into Law June 30, 2016 No.119), starting from current year and until 2029, was introduced the possibility to opt for the payment of an annual commission to the extent of 1.5% of an aggregate amount deriving from the difference between:

- the increase in convertible DTA recorded in current Balance Sheet, including the amounts already converted into tax credits, and convertible DTA recorded at 2007 for IRES and with reference at 2012 financial year for IRAP;
- taxes:
  - IRES paid by Tax Group starting from January 1, 2008;
  - IRAP paid by Legal Entities included in Tax Group with convertible registered DTA entered in the books as from January 1, 2013;
  - substitute taxes that generated convertible DTA.

For the year 2015, was paid on July 29 an amount of €126.8 million (of which €121.6 million on charge of the Parent Company, while €4.9 million were charged to UniCredit Leasing and €0.3 million to UniCredit Factoring). An amount of €121.6 million was set aside as a provision for the payment due for the year 2016 based on the best current estimates.

## Section 19 - Gains (Losses) on groups of assets held for sale, net of tax - Item 280

No data to be disclosed in this section.

## Section 20 - Other information

No information to be disclosed in this section.

## Section 21 - Earnings per share

The amounts reported in the table here below are referred to the complex of ordinary and savings shares.

### Earnings per share

	YEAR 2016	YEAR 2015
Net profit (loss) (thousands of €)	(11,588,026)	(1,541,858)
Average number of outstanding shares	6,013,615,541	5,829,820,906
Average number of potential dilutive shares	25,756,765	22,064,400
Average number of diluted shares	6,039,372,306	5,851,885,307
<b>Earning (Loss) per share (€)</b>	<b>(1.927)</b>	<b>(0.264)</b>
<b>Diluted Earning (Loss) per share (€)</b>	<b>(1.919)</b>	<b>(0.263)</b>

€127,893 thousand was added to 2016 net loss of -€11,460,133 thousand due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the 'cashes' transaction (€100,409 thousands was added to 2015 net loss).

Average of outstanding shares is net of treasury shares and of 96,756,406 shares held under a contract of usufruct.



## Part D - Comprehensive Income

Other Comprehensive Income Statement

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## Part D - Comprehensive Income

## Other Comprehensive Income Statement

(€ '000)

ITEMS	YEAR 2016		
	BEFORE TAX EFFECT	TAX EFFECT	AFTER TAX EFFECT
<b>10. Net profit (loss) for the year</b>	X	X	(11,460,133)
Other comprehensive income not reclassified to profit or loss			
<b>20. Property, plant and equipment</b>	-	-	-
<b>30. Intangible assets</b>	-	-	-
<b>40. Defined benefit plans</b>	15,537	(4,888)	10,649
<b>50. Non-current assets classified as held for sale</b>	-	-	-
<b>60. Portion of revaluation reserves from investments valued at equity</b>	-	-	-
Other comprehensive income that may be reclassified to profit or loss			
<b>70. Hedges of foreign investments:</b>	-	-	-
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
<b>80. Exchange differences:</b>	-	-	-
a) changes in value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
<b>90. Cash flow hedges:</b>	(176,497)	57,801	(118,696)
a) fair value changes	(176,497)	57,801	(118,696)
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
<b>100. Available-for-sale financial assets:</b>	(386,070)	114,016	(272,054)
a) fair value changes	(112,497)	41,614	(70,883)
b) reclassification to profit or loss	(277,512)	73,435	(204,077)
- impairment losses	(10,253)	761	(9,492)
- gains/losses on disposals	(267,259)	72,674	(194,585)
c) other changes	3,939	(1,033)	2,906
<b>110. Non-current assets classified as held for sale:</b>	-	-	-
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
<b>120. Portion of revaluation reserves from investments valued at equity:</b>	-	-	-
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- gains/losses on disposals	-	-	-
c) other changes	-	-	-
<b>130. Total other comprehensive income</b>	(547,030)	166,929	(380,101)
<b>140. Comprehensive income after tax (Item 10+130)</b>	X	X	(11,840,234)







## Part E - Information on risks and hedging policies

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## Part E - Information on risks and hedging policies

### Risk Management within UniCredit S.p.A.

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

The control and steering of the risks are exerted by the UniCredit S.p.A.'s Group Risk Management function which pursues its own steering, coordination and control role. Furthermore the model considers a specific point of reference for Italy through the "CRO Italy" function, to which has been assigned the responsibilities for managing the credit, operational and reputational risks with reference to perimeter of UniCredit S.p.A., as well as the managerial coordination of the credit activities of UniCredit S.p.A. Italian Legal Entities.

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

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

## Section 1 - Credit risk

### Qualitative information

#### 1. General Matters

With reference to the risks management model, the streamlining of the governance system already initiated through the One4C project and enhanced in line with the approach of Single Supervisory Mechanism, continued during 2016 with the aim of achieving higher levels of efficiency and ensuring strong control on issues related to risk.

In particular in the Parent Company a single competence center is operating for all the activities of steering and coordination for credit risk and also for the development and validation of rating systems and for integrated risk management.

The "CRO Italy" function has been assigned, the responsibilities for managing the credit, operational and reputational risks with reference to perimeter of UniCredit S.p.A., as well as the managerial coordination of the credit activities of UniCredit S.p.A. Italian Legal Entities.

The organizational structure for the control of credit risk, operational since December 31, 2016, is described in the next sections with specific reference to structures and responsibilities.

During the first half of 2016 the Group Credit Risk Strategies were released, consistent with the Group "risk appetite" and Pillar II metrics and accompanied by innovative management dashboards, in order to optimize the operational application. Also in accordance with Pillar II, concentration risk was updated in respect of single name concentration risk (so-called Bulk Risk) and at industry level. In addition, in order to further improve the process and methodologies to be used in the development of credit risk strategies and stress tests on credit risk, the relevant internal regulations were updated.

UniCredit S.p.A. continues its intense effort to extend Basel 2 principles to the entire perimeter. With specific reference to credit risk, it is currently authorized to use internal estimates for PD, LGD and EAD parameters for its own loan portfolio (Sovereigns, Banks, Multinational Enterprises and Global Project Finance transactions) and for corporate portfolios and retail exposures. With regard to the EAD parameter, the parameters defined

according to the Foundation approach are currently being used, with the exception of Private Mortgages for which an internal EAD model is already being used for regulatory purposes.

During 2016 the refinement of the regulation and of the credit processes for the new classification of impaired loans and for the categories of forborne exposures has continued, in line with EBA and Supervisory Authority requirements, with the goal of making more pervasive the risk culture, supported by dedicate training events. Some activities will be completed in 2017, following the evolution of the regulatory legislation.

Monitoring of major business groups identification - those with an exposure exceeding two percent of the consolidated regulatory capital (Top Group) - is carried out by a special unit within Group Risk Management dedicated to the definition and periodic review of the "Top Group", which includes both industrial and financial groups. All the economic groups are mapped with a single procedure that supports a uniform management for this risk driver.

Within the scope of the Italian business, the steps of lending, monitoring and loan recovery are managed through specific processes and IT procedures, which are constantly enhanced in order to maximize the efficiency and effectiveness. In particular for the lending, highly automated processes for Small Enterprises and individuals are implemented, based on Group Risk Management predefined credit measures and in line with the constantly updated technology, aiming to spread and make more secure and easier the use of advanced transactional channels, particularly for current account and consumer lending services, also with ad hoc initiatives ("Subito Banca") and high-tech tools. In addition, the refinement of the performance monitoring process, of the metrics and of the processes for the management of impaired loans has continued, enhancing specialized credit structures, already operative, that are responsible for the management of the positions classified at unlikely to pay or doubtful loans.

In order to continue providing an adequate support to the economy the range of financing products has been continuously updated, enhancing the use of instruments such as the SACE guarantees, the Central Guarantee Fund and tranching cover operations. Furthermore, specific attention was focused on households that intend to purchase a home, both through the range of specific products and features that can be customized based on the analysis of customer needs, including future needs, and by optimizing the management of novation. We also continued to support customers in the areas affected by events such as floods and earthquakes, both by participating in the initiatives promoted by ministerial decrees and through the Group own initiatives.

## 2. Credit Risk Management Policy

### 2.1 Organization

The credit risk organization in UniCredit S.p.A. breaks down into two levels:

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

The functions with responsibilities at Group level are:

- the Group Credit & Integrated Risks department, in charge, at Group level, for credit risk strategies definition, monitoring and controlling the credit risk of Group portfolio as well as ensuring an integrated view across Pillar I and II risks to Top Management. The responsibilities of this department include:
  - providing top management with an integrated and looking-forward vision of risks affecting the Group, defining and monitoring the *Group Risk Appetite* and the Group credit strategies processes, preparing the Internal Capital Adequacy Assessment Process (ICAAP) and managing the stress testing process (both regulatory and managerial). It is also responsible for developing and maintaining models for economic capital calculation within the perimeter of competence;
  - defining the credit risk reporting framework and producing standard reports on credit risk. Moreover, it is responsible for mapping the Economic Groups as well as coordinating and monitoring the progress of the initiatives of "Group Risk Management" department;
  - providing Top Management with an integrated vision (current and looking-forward) of risks affecting the Group and acting as point of reference and coordination towards Supervisor Authorities and major external stakeholders for issues within its perimeter of competence. It is responsible for monitoring, on a periodic basis, the Group overall credit portfolio and the integrated risk assessment, and for planning and controlling of provisions, RWAs and capital absorption for performing and problem loans.
- the Group Credit Risk Governance department, responsible for guaranteeing at Group level the coordination and steering of Pillar 1 Credit Risk models and architectural framework/ information flow and processes also ensuring their integration and alignment. Furthermore it's responsible for validating, at Group level, the risk measurement methodologies and pricing of the financial instruments as well as cooperating with other Group competent functions on *Risk Weighted Assets* contents. The responsibilities of this department include:
  - managing the communication to Governance Bodies and Supervisory Authorities, coordinating key projects, monitoring performance KPIs, planning the activities related to IRB systems, processes and information flow;
  - developing and maintaining methodologies and group models for Pillar 1 (Credit) and provide guidelines coordinating, interacting with and

## Part E - Information on risks and hedging policies

- supporting local development functions in order to guarantee an homogenous methodology implementation at Group level;
- defining and maintaining the group methodologies to be applied to Credit Risk processes and for their application on UniCredit S.p.A, in line with existing Global Rules. In addition, it is responsible for providing inputs to "Group Credit Rules" unit relevant for Group-Wide Credit Risk Processes, in order to ensure alignment with methodologies and credit risk processes in its perimeter of competence.
- validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar I and Pillar II risks, providing adequate reporting for Company Bodies and the Supervisory Authority, managing the Group monitoring process related to the recommendations issued in response to the validation activities, ensuring their correct implementation within UniCredit S.p.A. and the Legal Entities;
- cooperating with other Group competent functions in order to identify potential improvement in capital absorption and to define data quality controls related to Group Risk Weighted Assets/RWA.
- the Group Credit Transactions department which - inter alia - is responsible for the evaluation, monitoring and supervision of Large Credit Transactions, through the following activities:
  - evaluating credit proposals to be submitted to the "Group Transactional Credit Committee" and/or the "Group Credit Committee" and formulating expert opinions to be submitted to these committees;
  - within its delegated powers, deciding or issuing non-binding credit opinions (NBCO) in respect of credit proposals for Financial Institutions, Banks and Sovereigns (FIBS) and Special Products (e.g. ABS, Securitization, etc.);
  - acting as Group competence team, issuing expert advice on credit proposals submitted by the Legal Entities in relation to structured finance (LPAC and Special Products) and FIBS transactions;
  - monitoring FIBS counterparties, the companies in the CIB portfolio, Structured Finance transactions and Debt-to-Equity positions arising in the course of restructuring activities;
  - assessing, approving and managing country risk on an ongoing basis, specifically the risk assumed in cross-border credit transactions.

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

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

In UniCredit S.p.A., the "operational" activities (e.g. credit delivery, performance monitoring, etc.) are carried out by the organizational units under "CRO Italy", reporting to "Group CRO" and specifically:

- The Italian loan disbursement and monitoring units (Credit Operations Italy) have been organized into 7 local units each responsible for the entire local portfolio (Corporate, SME Corporate and Individuals):
  - the Credit Underwriting department whose responsibilities include the following activities:
    - coordinating the activities of 8 Regional Industry Team;
    - RIT decision-making activities;
    - managing the lending to UniCredit S.p.A. customers;
    - coordinating and managing the lending to UniCredit S.p.A. customers in relation to Consumer Finance products;
    - preliminary and administrative activities for transactions to be submitted to the Italian Transactional Credit Committee and the Italian Special & Transactional Credit Committee.
  - the Credit Monitoring department whose responsibilities include the following activities:
    - ensure the quality of the loan portfolio through performance monitoring of the positions, risk analysis and identification of corrective measures;
    - support the Business functions in monitoring the credit portfolio of the territorial areas, analyzing the performance and implementing the corrective measures required.
 The department consists of the following structures:
    - Credit Monitoring Operations & Support;
    - Central Credit Risk Monitoring Italy;
    - Territorial Credit Risk Monitoring Italy;
    - Credit Collection Decisions And Classification.
  - the Special Credit department whose responsibilities include the following activities:
    - overseeing activities aimed at reducing the cost of credit risk of problem loans;
    - managing the collection of delinquent and overdue unpaid credits and the related activities, as the classifications doubtful or non performing credits, according to the delegated powers, ensuring the enforcement and implementations of collection strategies and activities;

- conducting borrower assessment, credit analysis and preparing the related documentation for applications to be submitted to the competent decision-making Bodies;
  - overseeing the administrative and accounting activities under its responsibility.
- The department consists of the following structures:
- Workout Italy;
  - Inc. Italy;
  - Special Credit Analysis and Control Management;
  - Special Credit Support And Administration Italy.
- the Restructuring Department Italy, which – inter alia- is in charge of managing (deciding, within its delegated powers, or submitting proposals to the relevant decision-making Bodies) positions under restructuring, specifically for large counterparties.
  - the Loans Administration department which - inter alia - is responsible for the following activities:
    - monitoring administrative activities after the loan has been granted/disbursed;
    - managing subsidized loans;
    - lending and administrative activities relating to mutual guarantee institutions;
    - coordination and management of activities after disbursement of Mortgages by ensuring the quality and integrity of information assets and risk minimization; decisions on loan applications falling within its responsibility.
- The department consists of the following structures:
- Loan Administration Network;
  - Subsidized Loans;
  - Credit Advice Italy;
  - Collateral and Contracts Administration Services;
  - Loan Administration Services, Support and Controls.

In addition, with respect to credit risk, specific committees have been set up:

- the “Group Risk & Internal Control Committee is a “Top management Committee” and has responsibility of steering, coordinating and monitoring the risks at Group level as well as supporting the CEO in the management and oversight of the Group’s and UC Spa’s internal control system. With specific reference to management and control of risks, the Committee has responsibility of establishing policies, guidelines, operational limits and methodologies for the measurement, management and control of the risks as well as for the definition of the methodologies for the measurement and control of internal capital and for the evaluation of risks reporting and estimates of provisions on risks. In this scope, the Committee has consulting and suggestion functions for the definition and periodic review of the Group’s Risk Appetite Framework (RAF), special reference for the overall risk control framework, in order to ensure their consistency with the strategic guidelines and risk appetite established for the limit setting related to the various types of risks and respective allocation;
- the “Group Credit Committee”, in charge of discussing and approving credit proposals within its responsibility, including “restructuring” and “workout” positions, relevant strategies and corrective actions to be taken for “watchlist” positions, specific limits for transactions related to debt capital markets on the Trading Book, single issuer exposure limits on the Trading Book, “Debt to Equity” transactions and transactions on investments deriving from “Debt to Equity” transactions;
- the “Group Transactional Credit Committee” which has decision-making functions, within its delegated authority (resolutions and/or non-binding opinions to the Group Entities), and/or advisory functions on matters within the remit of Senior Bodies, with regard to credit proposals, including “restructuring” and “workout” positions; strategies and relevant corrective actions to be taken for “watchlist” files, specific limits for transactions related to debt capital markets, single issuer exposure limits on Trading book;
- the “Italian Transactional Credit Committee”, which has decision-making functions within its delegated powers and/or advisory functions for matters within the remit of Senior Bodies, is responsible, with regard to UniCredit S.p.A. counterparties, (excluding FIBS counterparties) for credit proposals (including “restructuring” and “workout” positions), the classification status of positions, strategies and corrective actions for “watchlist” positions, transactions concerning pawn loans and issue of non-binding opinions to the Italian Legal Entities of the Group;
- the “Group Rating Committee”, responsible for taking decisions and/or issuing non-binding opinions to the Group Legal Entities on rating override proposals;
- the “Italian Special & Transactional Credit Committee”, which is responsible, within its delegated powers, for the evaluation and approval or, for positions within the remit of Senior Bodies, the issue of advisory opinions on restructuring and workout positions, as well as positions of customers managed by Special Network and Real Estate Areas.

### **Credit risk**

In the course of its credit business activities UniCredit S.p.A. is exposed to the risk that its loans may, due to the deterioration of the debtor’s financial condition, not be repaid at maturity, and thus resulting in a partial or full write-off. This risk is always ingrained in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons for default lie in the borrower’s lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are unrelated to the debtor’s operating and financial condition, such as country risk or the impact of operational risks. Other banking operations, in addition to traditional lending and deposit activities, can expose UniCredit S.p.A. to other credit risks.

## Part E - Information on risks and hedging policies

For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by UniCredit S.p.A. could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons.

UniCredit S.p.A. monitors and manages the specific risk of each counterparty and the overall risk of loan portfolios through procedures, structures and rules, that steer, govern and standardize the assessment and management of credit risk, in line with the Group principles and best practice of Group, and which are capable of extending their effectiveness to all phases of the economic cycle.

### Country risk

Country risk is defined as the risk of losses of exposures caused by events in a specific Country which may be under the control of the local government but not under the control of a private enterprise or individuals. This may imply that the repayment of assets within a specific Country will be ultimately prevented by actions of the Country's government (e.g. transfer risk, expropriation risk, legal risk, tax risk, security risk, delivery risk) or by a deterioration of the economic and/or political environment (e.g. a sharp recession, currency and/or banking crisis, disaster, war, civil war, social unrest) of a Country. Country risk is managed by determining the appropriate maximum risk levels (country limits), that can be assumed by UniCredit S.p.A. vis-à-vis all counterparties (sovereigns, government entities, banks, financial institutions, corporate customers, small businesses, individuals, project finance, etc.) residing in or related to the Country, for cross-border transactions (from the standpoint of the UniCredit S.p.A. providing the loan) in foreign currency or (from the standpoint of the borrower) in local currency.

Country risk management processes are mainly concentrated at UniCredit S.p.A. in terms of both methodological aspects and the decision-making process, in order to ensure a uniform assessment and monitoring approach, particularly for the rating assignment - PD (probability of default) and LGD (loss given default) - as well as control of concentration risk.

The country rating assignment (both in terms PD and LGD) is performed using the specific internal rating model. The analysis, focused on both qualitative and quantitative factors, is an integral part of the final rating calculation process. In case the rating resulting from the model does not appropriately reflect the credit profile of the country, an override is requested from the competent Body. Both the calculation of PD and LGD values are mandatory and must be assigned before any decision on cross-border credit transactions is taken. The rating has to be updated at least once a year or whenever any material information (both positive and negative) impacting the country creditworthiness becomes available.

Cross border risk plafonds are calculated in a top-down/bottom-up process considering the risk of the Country (rating), the size of the country measured by its share in international trade of goods and services as well as its share in international capital flows, demand of the bank's export customers and business opportunities. Cross border plafonds are renewed at least on a yearly basis.

The risk exposures of UniCredit S.p.A., in particular countries that show signs of significant risk as result of economic or other developments are closely monitored, in terms of counterparty types - Individuals, Corporates, Banks & Financial Institutions, Sovereigns and Central Governments - as well as in terms of product categories - Loans, Bonds, CDS, Derivatives, and Guarantees. In this focused monitoring process, Risk Exposures include both "Domestic Risk" and "Cross Border Risk".

The evolution of the macroeconomic and political scenario has been constantly monitored in order to be consistently reflected within the Internal Ratings of the countries; Internal Ratings have been therefore revised more than on a yearly basis, when needed.

With specific reference to the sovereign risk, direct counterparty risk to sovereigns (and their central governments) is managed through the ordinary counterparty approval process. Limits and exposures to sovereigns - in both the trading and banking books - have been managed in a prudent way to ensure such limits/ exposures are sized primarily by both regulatory and liquidity requirements of UniCredit S.p.A.

Through collateral arrangements, UniCredit S.p.A. has obtained eligible collateral to reduce exposures to OTC derivative counterparties; such collateral includes, in addition to cash, also government bonds issued by countries included in the "eligibility list" (the criteria are defined in the specific "Credit Policy"). This eligibility is however always subject to minimum external rating criteria, and ongoing daily price availability. The rating threshold has therefore seen a reduction in the number of the eligible sovereign issuers from the original name specific eligibility list.

With reference to loans to local customers (other than Sovereigns and Central Governments), UniCredit S.p.A.'s exposure continues to very low overall in countries classified as requiring "strict monitoring", especially the countries where there are group branches and banks. Lending activities

have mainly focused on corporates less linked to the sovereign risk associated with the Country of origin. For CEE Countries, given the strategic importance of this area for UniCredit S.p.A. and for the Group, loans to local customers were subject to specific credit risk strategies defined and monitored at country level, taking also into consideration the macroeconomic outlook.

## *2.2 Credit Risk Management, Measurement and Control*

### *2.2.1 Reporting and Monitoring*

The fundamental objective of the reporting and monitoring activities performed by the Group Risk Management function is the analysis of the main drivers and parameters of credit risk (exposure at default ("EAD"), expected loss ("EL"), migration, cost of risk etc.) in order to promptly initiate any counter-measures on portfolios, sub-portfolios or individual counterparties.

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

Portfolio reporting activities are performed in close collaboration with the Risk Management Functions at Legal Entities level.

At Group level, reporting and monitoring activities are assigned to two different Organizational Units in the "Group Credit and Integrated Risks" Department.

The "Group Credit Risk Data Consolidation, Stand. & Reporting" Unit is in charge of defining the Group framework for reporting on risks and producing standard/customized reporting on credit risk, and is a reference point for the Supervisory Authorities in case of credit risk reporting and data requests. It is also in charge of defining the taxonomies and data processing rules for reporting requirements on credit risk, interfacing with Group Data Office for their implementation, for developing convergence strategies of risk management information system and for promoting the use of business intelligence tools at Group level.

The "Risks Assessment & Monitoring" Unit is in charge of analyzing and monitoring the breakdown and risk of the loan portfolio according to the main credit risk metrics at Group/LE/Division level, thereby providing the competent Strategy & Finance functions with useful factors to highlight deviations from budgets/forecasts and produce the periodic analyses that provide the top management with a comprehensive view of Group risks, as well as the analyses for rating agencies, investors and "customized" requests from external Entities/Bodies.

The Group's reporting and monitoring activities have benefited from the completion of the pursued activities - from 2015 - as part of PERDAR Project, focused to ensure compliance with the principles established by the Basel Committee on the subject of "data aggregation & reporting" (so-called BCBS239 Principles). Reporting activities were streamlined through significant fine tuning of the processes for collecting and consolidating data. As a result, significant improvements were made in the quality of information reported and the processes supporting the consolidated reports, such as, for example, the ERM - Enterprise Risk Management Report, as well as the Risk Assessment provided to the top management. Moreover, the units in charge of reporting on portfolios and business segments contributed to monitoring positions exposed to credit risk in their areas of responsibility.

All monitoring to identify and promptly react to the possible impairment of credit quality of counterparties was further strengthened through dedicated structures of Group Risk Management which are in charge of reporting that analyzes the main components of such risk and their evolution over time, to promptly detect any symptoms of impairment and thus implement suitable corrective actions.

### *2.2.2 Governance and policies*

Relationships between UniCredit S.p.A. and Group Legal Entities carrying out credit-related businesses are defined by specific governance rules, assigning the role of guidance, support and control to UniCredit S.p.A. itself, in respect of the following areas: credit policies, credit strategies, models development, rating systems validation, credit concentration risk, the issuance of credit products, monitoring and reporting portfolio credit risk.

In particular, Group Legal Entities are required to request the Group Risk Management functions of UniCredit S.p.A. a dedicated opinion before granting or reviewing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to the

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obligation of compliance with the credit risk concentration limits that have to be measured with respect to the regulatory capital.

In accordance with the role assigned to UniCredit S.p.A. under the Group governance, and specifically to the Group Risk Management function, the “General Group Credit Policies” relating to the Group lending activities define group-wide rules and principles for guiding, governing and standardizing credit risk assessment and management, in line with the regulatory requirements and Group best practice.

The general rules are supplemented by policies governing defined subjects (business areas, segment activities, type of counterpart/transaction, etc.). Such documents are divided in two categories:

- policies on “Group-wide” issues, developed by UniCredit S.p.A. and addressed to all Entities. Some examples are the policies on FIBS customers (Financial Institutions, Banks and Sovereigns), on Country Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on collateral management for OTC derivatives and Repo and securities lending business, on assessment, monitoring and management of underwriting risk limits for the syndicated loan, on “Commercial Real Estate Financing (CREF)” and on “Structured Trade and Export Finance (STEF)”, the definitions and classification categories of the credits;
- policies developed at the local level by individual Entities. Such documents provide detailed credit rules for, e.g. specific regions, subsidiaries, and, if required by local market peculiarities, they are applicable only within the specific Legal Entity perimeter.

At both Legal Entity and UniCredit S.p.A. level, the policies could be further detailed through Operative Instructions, describing specific rules and instructions for current management.

For instance, in order to provide detailed guidelines for the assessment of loans and receivables with customers of the Italy perimeter and to ensure a uniform approach in that perimeter in relation to similar risks, the Global Policy “General Group Credit Policies” has been supplemented by a specific Policy valid for the Italy perimeter (“Policies and methods for the classification and assessment of higher risk loans and receivables with customers in Italy”).

Credit Policies are normally based on credit principles, and are primarily revised to reflect external regulatory changes, while the coordination with Credit Risk Strategies, that are updated at least annually, drives the areas that will form the target of UniCredit S.p.A.’s relevant credit business and the relative risk drivers (customers/products, industry segments and geographical areas).

### 2.2.3 Management and Measurement Methods

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

For the purpose of credit risk measurement, credit risk is defined as the risk of incurring losses arising from the possibility that a counterparty, either a borrower or an issuer of a financial obligation (bond, note, etc.) is not able to repay interest and/or principal or any other amount due (Default Risk). In a broader sense, credit risk can also be defined as potential losses arising either from a default of the borrower / issuer or a decrease in the market value of a financial obligation due to a deterioration in its credit quality. On this topic UniCredit S.p.A. is exploring new approaches to cover also the market value component of Banking Book credit risk.

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

The assessment of a counterpart’s creditworthiness, within the credit proposal evaluation, begins with an analysis of the financial statements and the qualitative data (competitive positioning, corporate and organizational structure, etc.), regional and industry factors and counterpart behavior within the Entity or the banking system (e.g., “Centrale dei rischi”), and results in a rating, i.e. the counterpart’s probability of default (PD) on a one-year time horizon.

Each borrower’s credit rating is reviewed at least annually on the basis of new information acquired. Each borrower is also assessed in the context of any economic group with which it is affiliated by taking into account, as a general rule, the theoretical maximum risk for the entire economic group.

The organizational model in use includes also a dedicated function, which is separated from loan approval and business functions and is responsible for the management of the so-called rating overrides, i.e. any changes to the automatic rating calculated by the model.

The internal rating assigned to each borrower and its economic group exposure form a part of the lending decision calculation, defined so that, at a constant credit amount, the approval powers granted to each decision-making Body are gradually reduced in proportion to an increased borrower/related risk level.



Regular monitoring focuses on the borrower's performance management, using all available internal and external information in order to arrive at a score representing a synthetic assessment of the risk associated. This score is obtained using a statistical function that summarizes available information using a set of proven significant variables that are predictors of an event of default within a 12 months horizon. In addition to the usual estimation of risk parameters over a one-year time horizon, long-term risk parameters are estimated to provide a more robust assessment of the risk-adjusted performance in compliance with the accounting standards requirements (IFRS13).

Besides the methodologies summarized in the rating systems, the Group risk management function uses portfolio models enabled to measure credit risk on an aggregated portfolio basis and at the same time to identify sub-portfolio, or single obligor contributions to the overall risk position.

There are three fundamental portfolio credit Risk Measures that are calculated and are evaluated on a one year time horizon:

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

The estimate of Credit VaR at the overall portfolio level is obtained from the distribution of losses obtained by Monte Carlo simulation on the horizon of one year, considering the correlations among counterparties. The total loss in each default scenario is the sum of the individual losses, each of which is the product of the percentage of losses given default (LGD) and exposures at default (EAD) for transactions related to defaulted counterparts.

The Expected Loss (EL) at portfolio level represents the aggregated average loss of the portfolio due to potential defaults of the obligors. The EL of the portfolio is just the sum of the single obligor ones, which can be evaluated as the product of  $PD \times LGD \times EAD$ , and is independent from the default correlations in the portfolio. EL is typically charged as a cost component.

Value at Risk represents the threshold monetary loss overcome only with a given probability level (VaR with a 99,9% confidence level, or the loss threshold is exceeded only in 1 in 1000). Economic Capital is derived from Value at Risk subtracting the expected loss and it is an input for determining Internal Capital set up to cover potential losses from all sources of risk.

The Expected Shortfall (ES) is another measure that represents the expected value of losses that exceed the VaR threshold. Portfolio Credit VaR and ES depend significantly on the correlation among the default and can be reduced by portfolio diversification at sector and country level, and limiting the concentration of each counterparties.

The measures of economic capital (Credit VaR based) are also a fundamental input for the design and application of credit strategies, the analysis of credit limits and risk concentration. The economic capital calculation engine is also one of the instruments used for the analysis of stress testing of the credit portfolio.

All the above mentioned risk parameters are subject to an initial validation and a regular monitoring process for each rating system in all its components: models, processes, IT architecture and data quality.

The aim is to give evidence of the systems compliance, highlighting improvement areas as well as possible misalignments in the methodologies, which could limit the full comparability among the resulting risk measures.

The internal Credit VaR model is also subject to assessment in the context of Basel - Pillar II validation.

The calculation of the credit economic capital is available on a single technological platform ("CPM"), with a shared method for the holding structures and for the main geographies of the Group.

In order to assess the credit risk transfer created by securitization transactions originated by the Group, an engine (Structured Credit Analyser) has been developed, which simulates the loss distribution of the securitized portfolio and the tranches, both for synthetic securitization (in which the risk is transferred through guarantees or credit derivatives), and for traditional ones (where the assets are sold to a special purpose vehicle).

#### 2.2.4 Credit Risk Strategies

Credit Strategies are an effective credit risk governance tool that contribute to defining budget targets in line with the Group's risk appetite, of which they are an integral part. These strategies are also a management tool, as they translate the metrics defined in the risk appetite into a concrete form, through dedicated management dashboards.

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Taking into consideration the macroeconomic and credit scenarios, the outlook for each economic sector, as well as the business initiatives/strategies, the Credit Strategies provide a set of guidelines and operational targets for countries and business segments UniCredit S.p.A. operates in, for the purpose of identifying their risk profiles and enabling growth consistent with such profiles.

With regard to risk management of the Group loan portfolio, specific importance is granted to loan concentration risk. Such concentration risk, according to the Basel definition, consists of a single exposure or of a group of correlated exposures with the potential to generate losses of such magnitude as to prejudice UniCredit S.p.A. ability to carry on its normal business.

In compliance with the regulatory framework outlined by the Basel Committee (Pillar II), UniCredit S.p.a. has set up policies and control systems to identify, measure and monitor loan concentration risk:

- to individual counterparties or groups of associated counterparties (Single Borrowers/Economic Groups);
- to counterparties in the same economic sector (Industries).

Stress test simulations are a comprehensive part of credit risk strategies definition. The stress test procedure is used to estimate some risk parameters, including PD, Expected Loss, economic capital and RWA under the assumption of "extreme but plausible" macroeconomic and financial stressed scenario. Stressed parameters are used not only for regulatory purposes but also as managerial indicators of the vulnerability of a portfolio of a Group company, a business line, a specific industry/regional/economic group or other relevant cluster, conditioned to a downturn of economic cycle.

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

### 2.2.5 Acquisition of impaired loans

The Bank usually does not acquire impaired loans. The positions reported as such in the tables of the Notes to the Financial Statements in relation to item "70. Loans to customers" are part of larger transactions involving the acquisition of loan portfolios, whose objectives cannot be classified among those relating to a specific acquisition of impaired positions.

### 2.3 Credit Risk Mitigation Techniques

UniCredit S.p.A. uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistently with the regulatory requirements, UniCredit S.p.A. is firmly committed to satisfy the requirements for recognition of Credit Risk Mitigation techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, Foundation IRB or Advanced IRB) both for internal use in operations and for the purposes of calculating the credit risk capital requirements.

With specific reference to Credit Risk Mitigation, general guidelines are in force, issued by UniCredit S.p.A., to lay down Group-wide rules and principles that should guide, govern and standardize the credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements.

In addition to the general guidelines on risk mitigation techniques, UniCredit S.p.A. has issued internal regulations, specifying processes, strategies and procedures for the management of collateral. In particular, these regulations detail the rules on the eligibility, valuation and management of collateral, ensuring that the guarantee is valid, legally enforceable and can be promptly recovered in accordance with the local legal system of each country.

UniCredit S.p.A. performs periodical assessment activities on the management of guarantees and compliance checks on risk mitigation techniques, in particular with respect to the application of internal rating systems, in order to verify that adequate documentation and formal procedures are in place for the use of risk mitigation techniques for the purpose of calculating regulatory capital.

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

Collaterals accepted in support of credit lines primarily include real estate, both residential and commercial, financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities - UCITS). Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common. UniCredit S.p.A. also makes use of bilateral netting agreements for derivative transactions (by means of ISDA and CSA agreements), Repos and securities lending.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, which widely support the evaluation and data quality checks of collaterals/guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalized and documented in internal rules and operative procedures. Furthermore processes are implemented to monitor all the relevant information regarding the identification and evaluation of the credit protection and to ensure it is correctly registered in the system.

When accepting a credit risk mitigation technique, UniCredit S.p.A. gives particular importance to processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her solvency and risk profile. In particular for the personal guarantees, UniCredit S.p.A. in order to support the underwriting and monitoring activities, has adopted an internal model for the guarantor evaluation.

In case of collaterals, the process of valuation is based on precautionary principles, with reference to the use of "market values" and to the application of adequate haircuts to ensure that, in case of liquidation, there are no unexpected losses on secured credit.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met over the time.

#### *2.4 Non-Performing Exposures*

In general, the main goal of managing the Non-Performing portfolio is to recover all, or as much exposure as possible, by identifying the best strategy for maximizing the Net Present Value (NPV) of the amounts recovered, or rather minimizing the loss given default.

With reference to the "non-performing" portfolio, UniCredit S.p.A. activities are mainly focused on the following:

- prompt action. With a solid and effective monitoring and reporting process, the early identification of possible credit quality deterioration allows to perform the necessary restrictive management measures aimed at risk reduction in the early phases prior to the potential default;
- proper evaluation of impaired loans, in order to define the actions and classification within the "default" classes;
- start of recovery actions depending on the type, the amount of exposure and the customer characteristics;
- appropriate impairment losses in line with the relevant recovery strategies and plans as well as the type of exposure. This activity is in line with IAS39 and "Basel II" rules;
- accurate and regular reporting to monitor over time the risk of the portfolio at the aggregate level.

This activity is managed internally within the group by specially qualified staff or externally through a mandate given to specialized companies or through the sale of Non-Performing assets to external companies.

As an alternative to conventional solutions used to manage non-performing exposures, UniCredit has set-up a specialized "Distressed Asset Management" structure to assess and initiate strategies directed at selling portfolios or individual exposures through the secondary market.

The sale of non-performing exposures is carried out by using a competitive auction mechanism. A full costing analysis is performed to assess how effective this will be, with the objective of maximising the net present value for the Group.

Each Legal Entity's classification of positions into the various default categories must comply with local legal and regulatory dispositions issued by the Supervisory Authority.

#### *Loan categorization in the risk categories and forborne exposures*

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

The new classification process:

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

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

- the classification in the different "impaired" classes, must be done in accordance with legal and regulatory provisions issued by the local Supervisory Authorities;
- the volume of Non-Performing exposures according to the IFRS definition is the same as the one for non-performing assets referred to in the EBA standards.

Despite no significant effects on overall volume of Non-Performing loans resulted from the initial application of the seventh updating of Circular 272 of Banca d'Italia from January 1, 2015, Forborne Non-Performing exposures trend might be impacted by the changes on the risk classification process arising from the introduction of the EBA standards; these dynamics might be potentially justified by differences in the detailed classification criteria as compared by the previously applicable definitions.

Specifically, in view of the changes in the regulatory and reporting scenario, actions are being taken to align the credit process to the new classification rules, to monitor the dynamics of these exposures, and to ensure reporting to the Supervisory Authority.

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

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

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

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

During 2016, some type of measures previously not duly detected have been gradually included on *Forborne Exposures* perimeter,. Nevertheless, in light of the technical complexity deriving from the dynamics of aggregated exposures and in consideration of the use of an approach based on the best estimates possible, the volumes of exposures identified as forborne could differ from those corresponding to a precise application of the new definition.

In order for these concessions to be included within the forborne perimeter, it is necessary, as defined by EBA Standard, to evaluate the existence of financial difficulty of the debtor by means of the verification of specific criteria (Troubled Debt Test).

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

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

In relation to that, UniCredit S.p.A. is still required to comply with instructions issued by the Italian Supervisory Authority.

### Impaired assets acquired

Impaired loans acquired were recognized under item "70. Loans and receivables with customers" for €14,867 thousand, and under item "140. Non-current assets and disposal groups classified as held for sale" for €8,233 thousand at December 31, 2016, for a total amount of €23,100 thousand with a decrease of €18,519 thousand (-44.5%) compared to December 31, 2015 (€41,619 thousand).

These loans were acquired as part of the following transactions:

- the acquisition in 2011 of a loan portfolio from Banca MB S.p.A. (total face value of €414,543 thousand at a price of €246,052 thousand, including impaired loans with a face value of €299,223 thousand at a price of €152,512 thousand). The loans deriving from the financing disbursed by Banca MB under administrative compulsory liquidation were acquired;
- the acquisition in 2011 of a loan portfolio from Oney S.p.A. (overall face value of €21,143 thousand, at a price of €19,041 thousand, including impaired loans totaling €148 thousand at a price of €121 thousand). The loans were acquired as part of the acquisition of a credit card portfolio from Oney S.p.A.;
- the acquisition in 2013 of a portfolio of impaired loans from Island Refinancing S.r.l. (overall face value of €88,532 thousand at a price of €27,766 thousand). The loans were acquired as part of a Settlement Agreement, relating to previous agreements/contracts entered into by the merged company Banco di Sicilia S.p.A.

The above loans were measured in accordance with the measurement criteria used for all impaired loans and receivables with customers recognized in the Financial Statements.

The table below shows the changes in "Impaired loans acquired" (face value, purchase price, carrying amount), broken down by individual transaction:

### Impaired assets acquired

(€ '000)

	ACQUISITION DATE		12.31.2015		12.31.2016		CHANGE	
	FACE	PURCHASE	FACE	CARRYING	FACE	CARRYING	FACE	CARRYING
	AMOUNT	PRICE	VALUE(*)	AMOUNT	VALUE(*)	AMOUNT	VALUE(*)	AMOUNT
Banca MB S.p.A.	299,223	152,512	143,763	28,145	122,482	14,440	-21,281	-13,705
Oney S.p.A.	148	121	61	6	40	3	-21	-3
Island Refinancing S.r.l.	88,532	27,766	61,852	13,468	46,789	8,657	-15,063	-4,811
<b>Total</b>	<b>387,903</b>	<b>180,399</b>	<b>205,676</b>	<b>41,619</b>	<b>169,311</b>	<b>23,100</b>	<b>-36,365</b>	<b>-18,519</b>

(\*) Inclusive of default interest accrued.

## Part E - Information on risks and hedging policies

### Quantitative information

#### A. Credit quality

##### A.1 Non-Performing and performing credit exposures: amounts, write-downs, changes, economic and geographical distribution

For the purposes of the disclosure of quantitative information about credit quality, the term "credit exposures" does not include equity instruments and UCITS shares.

##### A.1.1 Breakdown of credit exposures by portfolio and credit quality (carrying value)

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	1	10,820	-	-	61,530,299	61,541,120
2. Held-to-maturity financial instruments	-	-	-	-	755,171	755,171
3. Loans and receivables with banks	-	1,327	-	29,700	22,318,077	22,349,104
4. Loans and receivables with customers	6,158,695	9,465,099	371,603	4,767,532	192,473,831	213,236,760
5. Financial assets at fair value	-	8,413	-	-	5,739	14,152
6. Financial instruments classified as held for sale	2,209,063	-	-	-	-	2,209,063
<b>Total 12.31.2016</b>	<b>8,367,759</b>	<b>9,485,659</b>	<b>371,603</b>	<b>4,797,232</b>	<b>277,083,117</b>	<b>300,105,370</b>
<b>Total 12.31.2015</b>	<b>13,692,426</b>	<b>11,596,468</b>	<b>1,092,623</b>	<b>4,403,670</b>	<b>270,130,567</b>	<b>300,915,754</b>

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

(€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	-	-	-	-	-	-
2. Held-to-maturity financial instruments	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	-	-
4. Loans and receivables with customers	370,735	5,096,110	26,490	1,619,992	2,006,801	9,120,128
5. Financial assets at fair value	-	8,413	-	-	-	8,413
6. Financial instruments classified as held for sale	50,820	-	-	-	-	50,820
<b>Total 12.31.2016</b>	<b>421,555</b>	<b>5,104,523</b>	<b>26,490</b>	<b>1,619,992</b>	<b>2,006,801</b>	<b>9,179,361</b>
<b>Total 12.31.2015</b>	<b>89,566</b>	<b>4,730,350</b>	<b>114,525</b>	<b>1,110,371</b>	<b>1,382,938</b>	<b>7,427,750</b>

##### Breakdown of performing past-due credit exposures by portfolio and past-due bucket (gross value)

(€ '000)

PORTFOLIOS/QUALITY	PAST-DUE LESS THAN 30 DAYS	PAST-DUE BETWEEN 30 AND 60 DAYS	PAST-DUE BETWEEN 60 AND 90 DAYS	PAST-DUE OVER 90 DAYS	TOTAL
1. Available-for-sale financial assets	-	-	-	-	-
2. Held-to-maturity financial instruments	-	-	-	-	-
3. Loans and receivables with banks	30,028	-	-	-	30,028
4. Loans and receivables with customers	1,070,052	902,799	1,034,403	1,970,472	4,977,726
5. Financial assets at fair value	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-
<b>Total 12.31.2016</b>	<b>1,100,080</b>	<b>902,799</b>	<b>1,034,403</b>	<b>1,970,472</b>	<b>5,007,754</b>
<b>Total 12.31.2015</b>	<b>796,217</b>	<b>877,358</b>	<b>408,317</b>	<b>2,526,449</b>	<b>4,608,341</b>

The amounts past due over 90 days refer to loans that do not meet the definition of Non-Performing past due (below the materiality threshold).

### A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			12.31.2016
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Available-for-sale financial assets	22,498	11,677	10,821	61,530,299	-	61,530,299	61,541,120
2. Held-to-maturity financial instruments	-	-	-	755,171	-	755,171	755,171
3. Loans and receivables with banks	2,686	1,359	1,327	22,360,927	13,149	22,347,777	22,349,104
4. Loans and receivables with customers	36,831,727	20,836,330	15,995,397	198,239,685	998,322	197,241,363	213,236,760
5. Financial assets at fair value	8,413	-	8,413	X	X	5,739	14,152
6. Financial instruments classified as held for sale	17,044,952	14,835,889	2,209,063	-	-	-	2,209,063
<b>Total 12.31.2016</b>	<b>53,910,276</b>	<b>35,685,255</b>	<b>18,225,021</b>	<b>282,886,082</b>	<b>1,011,471</b>	<b>281,880,349</b>	<b>300,105,370</b>
<b>Total 12.31.2015</b>	<b>55,510,865</b>	<b>29,129,348</b>	<b>26,381,517</b>	<b>275,563,129</b>	<b>1,089,983</b>	<b>274,534,237</b>	<b>300,915,754</b>

As part of the preparation of the 2016-2019 Industrial Plan (hereinafter also the Strategic Plan), approved by the Board of Directors of December 12, 2016, the Group identified a significant strengthening and optimization of the capital structure and the proactive reduction of risk associated with balance sheet assets as important focus areas for achieving its strategic objectives.

These focus areas, with specific reference to the reduction of the stock of impaired loans (hereinafter also *Non Performing Exposures* or NPE) are fully consistent:

- with the *Risk Appetite Framework*, approved by the Board of Directors during the last quarter of 2016, which provides for a reduction in the stock of impaired loans over the Business Plan horizon, mainly focused on the Italian Group Companies;
- with the recommendations set out in the guidelines issued by the European Central Bank (ECB) through the "*Draft guidance to banks on non-performing loans*", published in September 2016 (hereinafter also *ECB Guidelines or guidance*), containing specific recommendations for banks to establish a clear strategy, aligned with the business plan *framework* and the subsequent *risk management* actions, designed to reduce the stock of *Non-performing Exposures* in a credible, achievable and timely manner. The *guidance* also highlights the need to put greater focus on improving the timeliness in capturing the quality developments of impaired loans and in quickly incorporating the effects both in the estimated recoverability of cash flows and in more effective derecognition procedures.

The focus areas also take into account the influence that external elements may have on the assessment of impaired loans, such as (i) a macroeconomic scenario that is characterized by still limited prospects for growth and a climate of profound uncertainty; (ii) a real estate market that, in general, is showing an upward trend in the number of transactions, but a downward trend in prices; (iii) continuing uncertainty about the macroeconomic outlook for the European banking sector as a whole, and (iv) a high incidence of impaired loans in the Italian banking sector, with consequent market focus on this parameter and the indicators influenced by it.

In this sense, the Bank has identified a series of measures to reduce the stock of impaired loans, through a series of management changes which, essentially consist, on the one hand, in a careful and proactive assessment of opportunities for their disposal and, on the other hand, in a substantial revision of the recovery approach, with specific reference to the *restructuring* and *workout areas*.

Against this backdrop, and in conjunction with the development of the new Strategic Plan, in the fourth quarter of 2016 UniCredit S.p.A. launched the two projects described below, the "FINO Project" and the "PORTO Project", which also incorporated other updates to the assessment methods, consistent with the changed framework.

In detail:

#### Project FINO

The "Project FINO" (hereinafter also the "Project"), aims to dispose of the "*non-core*" assets of the UniCredit group through a market transaction. The project covers a set of credit exposures classified as non-performing, referring to various sectors, collected within a portfolio called "FINO portfolio". More specifically, the FINO Portfolio is made up of loans to customers held by UniCredit S.p.A. and by Arena One NPL S.r.l. (Vehicle transferee of the securitized loans originated by the Bank, of which the latter holds all the issued Asset Backed Securities), which are consistently reported in the financial statements of UniCredit S.p.A.

## Part E - Information on risks and hedging policies

In December 2016, UniCredit S.p.A. (also in its capacity as - *Sole Noteholder* - of the securities issued by Arena One NPL S.r.l.) signed two *Framework Agreements* with two separate third-party Investors, designed to define the characteristics of two (or more) proposed securitization transactions (expected to be finalized in July 2017), out of a set of loans classified as non-performing as of June 30, 2016 for a nominal gross value of 17,700 million euros, making up the FINO portfolio.

The *Framework Agreements* (and the associated documentation) describe the overall structure of the relationships with third party investors and outline - individually - the structure of the two phases of the Project (as described below), also setting the selling price for the various sub-portfolios involved, according to their characteristics and peculiarities.

Under each of the *Framework Agreements*, the Project FINO shall be implemented in two stages:

- "Phase 1", in which the parties to each *Framework Agreement* agreed to putting in place one or more securitization transactions by setting up several Special Purpose Vehicles ("SPV" or "Vehicle") that will purchase the NPLs to be disposed of. The SPVs - which are expected to set up various segregated assets according to the loan sub-portfolios comprised in the purchased portfolio - shall issue, for each sub-portfolio, *Senior*, *Mezzanine* and *Junior Asset Backed Securities* (ABS), having different degree of subordination. Specifically, under each *Framework Agreement*, the third-party Investors agreed to subscribe 50.1% of each class of ABS issued by the relevant SPV while the remaining 49.9% of the securities will be subscribed by UniCredit S.p.A.

The payment by the third-party Investors of the price for their 50.1% share shall take place as follows:

- 40% in cash;
- 60% through a Deferred Subscription Price (hereinafter also *Deferred Subscription Price* - DSP) the mechanism of which provides for a maximum term of three years and no remuneration in the form of interest. The DSP shall be covered by debt assumption under which third-party entities, being part of the respective Investors' groups, with appropriate credit standing and adequate capital structure to ensure the repayment of the DSP does not depend, either exclusively or mainly, on the payment of the ABS, fully assume the obligation to pay the amount due by way of DSP. The DSP will thus be transferred without recourse by the Vehicle to UniCredit S.p.A. as consideration for the purchase of the loans.

As a result of the transaction, therefore, UniCredit S.p.A. will acquire:

- 49.9% of the securities issued by the SPV;
- a DSP vis à vis the third-party Investors subscribing the securities, the repayment of which is independent of them and of the performance of the FINO Portfolio.

Finally, the agreements provide that the collections on the FINO portfolio taking place between June 30, 2016 and the date by which the ABS will be issued (expected by July 31, 2017) be transferred back to the transferee accordingly. This amount would then be distributed according to the priority of payments provided for in the securitization;

- "Phase 2", with respect to which the parties have identified in their respective *Framework Agreements*, the preliminary guidelines and strategies aimed at governing, inter alia: (a) the gradual transfer, including to third party investors, by UniCredit S.p.A. of securities subscribed by it, in compliance with the obligation for UniCredit to retain a net economic interest in the securitization transactions as specified by each *Framework Agreement* according to current regulations; and (b) the optimization of the financial structure of the securities issued in "Phase 1", including, possibly, obtaining the guarantee on non-performing loan securitizations ("GACS") by the Ministry of Economy and Finance (MEF). It should be noted that the procedures for the implementation of "Phase 2" have not yet been agreed in detail by the parties and are subject to further agreements between them on the basis of guidelines and strategies agreed in the respective *Framework Agreements*.

On February 1, 2017, the Board of Directors of the Bank approved the FINO Project according to the features and content outlined in the *Framework Agreements* (and the attached documentation), and authorized the Directors to put in place the necessary steps to ensure its completion.

Given the characteristics and structure of the overall transaction and the steps required for its completion, as at December 31, 2016 the conditions required by IAS 39.15 and following, were not satisfied to derecognize the loans from the financial statements of UniCredit S.p.A. (*derecognition assessment of financial assets*). More specifically, as the rights to collect the cash flows from the loans have not yet been transferred, nor an obligation to pay such cash flows to third parties has been assumed, the credit exposures under the FINO portfolio as at December 31, 2016 continue to be recognized as assets of the Bank.

In particular, in accordance with IFRS5, these credit exposures have been classified in item "140. Non-current assets and disposal groups classified as held for sale", in view of the Bank's intention to gradually dispose of the entire portfolio within 12 months. In the tables presented in the Notes, Part E - Information on risks and hedging policies, the FINO portfolio is therefore reported in item 6. "Financial assets held for sale". For the representation of loans related to FINO Project refer to Report on Operations – Results of the year - Main results and performance for the period.

It should also be noted that, in accordance with IFRS5.5, the same portfolio was valued based on the measurement and assessment criteria set out in IAS39.

As such, the loans included in the FINO portfolio until December 31, 2016 (having a total nominal gross value of 17,045,000), were evaluated taking into account the unique aspects of the FINO Project as a whole (as described above) on the basis of the selling price specified for the various sub-portfolios in the respective *Framework Agreements*, pursuant to IAS 39, and specifically with reference to paragraphs 63 and AG 84.



To that effect, the recommendations provided in the published ECB Guidelines (see in particular Chap. 6.2.4 *Estimating future cash flows*) have been taken into account, according to which the *Authority* confirms that in estimating future *cash flows* for the accounting evaluation of assets, the procedures for managing *Non-Performing Exposures* must be taken into account.

In particular, in a strategy that manages impaired loans with a focus on their sale rather than their recovery through contractual flows, the estimated future *cash flows* (and therefore the *impairment*) should reflect the market price that can be realized from the sale.

In line with these considerations, on December 31, 2016, UniCredit S.p.A. recognized greater value adjustments on the loans within the FINO portfolio for 2,949 million, raising their *coverage ratio* from 69.7% to 87.0%, which is fully consistent with the price specified for the various sub-portfolios in the respective *Framework Agreements* entered into with the selected Investors. In addition, the loan performance and the value adjustments made on the portfolio in the second half of 2016 (i.e. with effect from June 30, 2016, reference date of the FINO Portfolio based on the contractual agreements signed with third-party Investors) and the related effects, led to additional value adjustments and net charges on the loans for 674 million. Overall, the higher charges weighing on the Bank's income statement in the second half of 2016 with respect to the FINO Portfolio totaled 3,623 million.

### PORTO Project

The PORTO Project consists in the introduction of a series of management actions and measures related to the implementation of a new approach in the management of impaired loans in order to achieve the goal of reducing the stock of Non-performing Exposures as envisaged in the new 2016-2019 Strategic Plan approved on December 12, 2016, fully in line with the new Risk Appetite Framework (RAF).

The PORTO Project refers to certain well-defined portfolios of non-performing loans (not yet included in ongoing transfer initiatives as at the date of preparing the financial statements, as is instead the case for the FINO portfolio, already discussed in detail), in relation to which UniCredit S.p.A. intends to adopt a new management approach that introduces different workout and collection procedures for impaired loans designed to rapidly reduce the stock thereof. This new strategic approach involves a wide range of management mechanisms and operational practices that characterize, within the framework of the Strategic Plan, the new managerial approach taken by UniCredit in the management of impaired loans.

In line with the external and internal rationales outlined above, the different approaches pertaining to the new strategy for managing impaired loans have been identified (with specific regard to exposures classified as non-performing and unlikely to pay), in order to more speedily and effectively dispose of the positions through a managerial administration of the workout that emphasizes the timeliness of collections and the rapid disposal of assets, focusing on the feasibility of the recovery and taking into account the most recent estimates of the realizable value of the assets, or of the collateral backing those assets.

The initiatives undertaken envisage managing the impaired credit exposures over a shorter time horizon, to take advantage of a drastic deleveraging of non-performing positions, designed to reduce risks and improve asset quality. The management, recovery and workout policies resulting from this new approach significantly affect the estimates of future cash flows expected to be recovered; as such, they also affect the assessments of the loans included in the portfolios in question, which are carried out in detail, including through comparison with coverage levels statistically and automatically defined.

As at December 31, 2016, the new approach has covered:

- a range of credit exposures classified as non-performing loans with a gross value of €19,137 million, on which greater value adjustments for €2,031 million were recognized, thereby raising the overall *coverage ratio* from 57.2% to 67.8%;
- a range of credit exposures classified as unlikely to pay with a gross value of €16,975 million, on which greater value adjustments for €1,315 million were recognized, thereby raising the overall *coverage ratio* from 37.2% to 44.6%.

The above changes introduced in the assessment of UniCredit S.p.A. loans as at December 31, 2016 (which resulted in higher net impairment losses of €3,346 million) are a factor of change resulting from new information and experience that can be derived from circumstances both inside and outside the Bank, which took place in the fourth quarter of 2016, and which qualify as change in accounting estimates in accordance with IAS8 (in particular section 5) the effects of which are reflected in item 130 of the Bank's income statement for the fourth quarter of 2016, in line with the provisions of IAS8.36.

### Further methodological updates

In line with the management approach introduced with the PORTO Project, in the fourth quarter of 2016 the Bank's assessment methods were further updated (both with regard to the observation periods and the levels of coverage), in order to make them more representative in the cash flow estimates statistically and automatically calculated, both with respect to the impaired portfolios below a defined threshold and to certain performing portfolios.

This update has affected impaired loans amounting to €9,237 million (gross nominal value) and performing loans amounting to €106,245 million (gross nominal values), and resulted in higher net impairment losses of around €385 million. The update was recorded in the accounts as a change in estimates in accordance with IAS8.35, and has affected UniCredit S.p.A. income statement for the fourth quarter of 2016.

The managerial actions and measures described above and introduced by the Bank during the fourth quarter of 2016, has resulted in higher total value adjustments and net charges on loans for €7,354 million, the effects of which are reflected in the UniCredit S.p.A. 2016 income statement.

## Part E - Information on risks and hedging policies

Breakdown of credit exposures by portfolio and credit quality - Financial assets held for trading and Hedging instruments (gross and net values)

(€'000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	50,927	74,661	13,951,693
2. Hedging derivatives	-	-	6,095,891
<b>Total</b> <b>12.31.2016</b>	<b>50,927</b>	<b>74,661</b>	<b>20,047,584</b>
<b>Total</b> <b>12.31.2015</b>	<b>45,045</b>	<b>93,254</b>	<b>20,032,715</b>

The total partial write-offs carried out on Non-Performing assets amounted to €8,216 million, attributable to bad loans and other revoked Non-Performing loans, with a decrease of -€1,220 million) compared to December 31, 2015.

#### Write-Offs (Long life criteria)

ACCOUNTING PORTFOLIOS	TOTAL IMPAIRED PARTIAL WRITE OFF
Financial assets held for trading	-
Financial assets at fair value through profit or loss	-
Available-for-sale financial assets	-
Held-to-maturity financial instruments	-
Loans and receivables with banks	-
Loans and receivables with customers	3,197,213
Financial instruments classified as held for sale	5,018,692
<b>Total with banks</b>	-
<b>Total with customers</b>	<b>8,215,905</b>

A.1.3 On- and off-balance sheet credit exposure with banks: gross and net values and past-due buckets

(€'000)

EXPOSURE TYPES/AMOUNTS	AMOUNT AS AT 12.31.2016							
	GROSS EXPOSURE				PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS			PAST-DUE OVER 1 YEAR				
	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR					
<b>A. On-balance sheet exposures</b>								
a) Bad exposures	-	-	-	309	X	309	X	-
- of which: forbome exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	2,351	X	1,024	X	1,327
- of which: forbome exposures	-	-	-	-	X	-	X	-
c) Non-Performing past due	-	-	-	26	X	26	X	-
- of which: forbome exposures	-	-	-	-	X	-	X	-
d) Performing past-due	X	X	X	X	30,029	X	329	29,700
- of which: forbome exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	26,316,296	X	12,821	26,303,475
- of which: forbome exposures	X	X	X	X	-	X	-	-
<b>Total A</b>	-	-	-	<b>2,686</b>	<b>26,346,325</b>	<b>1,359</b>	<b>13,150</b>	<b>26,334,502</b>
<b>B. Off-balance sheet exposures</b>								
a) Non-Performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	14,228,452	X	3,116	14,225,336
<b>Total B</b>	-	-	-	-	<b>14,228,452</b>	-	<b>3,116</b>	<b>14,225,336</b>
<b>Total (A+B)</b>	-	-	-	<b>2,686</b>	<b>40,574,777</b>	<b>1,359</b>	<b>16,266</b>	<b>40,559,838</b>

Off-balance sheet exposures comprise guarantees given, irrevocable commitments and derivatives regardless of each transaction's classification category.

The revocable commitments towards banks (not included in the off-balance sheet exposures) amount overall to €6,837 million.

## Part E - Information on risks and hedging policies

## A.1.4 On-balance sheet credit exposures with banks: gross changes in Non-Performing exposures

(€ '000)

SOURCE/CATEGORIES	CHANGES IN 2016		
	BAD EXPOSURES	UNLIKELY TO PAY	NON PERFORMING PAST-DUE
<b>A. Opening balance (gross amount)</b>	<b>893</b>	<b>5,026</b>	<b>118</b>
- of which sold but not derecognised	-	-	-
<b>B. Increases</b>	<b>28</b>	<b>223</b>	<b>49</b>
B.1 transfers from Performing loans	-	-	23
B.2 transfers from other Non-Performing exposures	-	26	26
B.3 other increases	28	197	-
- of which: business combinations	-	-	-
<b>C. Reductions</b>	<b>612</b>	<b>2,898</b>	<b>141</b>
C.1 transfers to Performing loans	-	-	23
C.2 write-offs	612	-	-
C.3 recoveries	-	2,872	-
C.4 sales proceeds	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other Non-Performing exposures	-	26	26
C.7 other decreases	-	-	92
- of which: business combinations	-	-	-
<b>D. Closing balance (gross amounts)</b>	<b>309</b>	<b>2,351</b>	<b>26</b>
- of which sold but not derecognised	-	-	-

## A.1.4bis On-balance sheet credit exposures with banks: gross changes by credit quality in forborne exposures

(€ '000)

SOURCE/CATEGORIES	CHANGES IN 2016	
	FORBORNE EXPOSURES: NON PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance (gross amount)</b>	-	-
- of which sold but not derecognised	-	-
<b>B. Increase variations</b>	-	-
B.1 transfers from Performing not forborne	-	-
B.2 transfers from Performing forborne	-	X
B.3 transfers from Non-Performing forborne	X	-
B.4 other increases	-	-
- of which: business combinations	-	-
<b>C. Reduction</b>	-	-
C.1 transfers to Performing not forborne	X	-
C.2 transfers to Performing forborne	-	X
C.3 transfers to Non-Performing forborne	X	-
C.4 write-offs	-	-
C.5 recoveries	-	-
C.6 sales proceeds	-	-
C.7 losses from disposals	-	-
C.8 other reductions	-	-
- of which: business combinations	-	-
<b>D. Closing balance (gross amounts)</b>	-	-
- of which sold but not derecognised	-	-

A.1.5 On-balance sheet Non-Performing credit exposures with banks: change in overall impairments

(€ '000)

SOURCE/CATEGORIES	CHANGES IN					NON PERFORMING PAST-DUE	OF WHICH FORBORNE EXPOSURES
	NON- PERFORMING LOANS	OF WHICH FORBORNE EXPOSURES	UNLIKELY TO PAY	OF WHICH FORBORNE EXPOSURES	2016		
<b>A. Opening balance (gross amount)</b>	<b>893</b>	<b>-</b>	<b>1,908</b>	<b>-</b>	<b>114</b>	<b>-</b>	
- of which sold but not derecognised	-	-	-	-	-	-	
<b>B. Increases</b>	<b>28</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>112</b>	<b>-</b>	
B.1 writedowns	28	-	-	-	-	-	
B.2 losses on disposal	-	-	-	-	-	-	
B.3 transfers from other Non-Performing exposure	-	-	112	-	112	-	
B.4 other increases	-	-	-	-	-	-	
- of which: business combinations	-	-	-	-	-	-	
<b>C. Reductions</b>	<b>612</b>	<b>-</b>	<b>996</b>	<b>-</b>	<b>199</b>	<b>-</b>	
C.1 write-backs from assessments	-	-	35	-	-	-	
C.2 write-backs from recoveries	-	-	849	-	85	-	
C.3 gains on disposal (-)	-	-	-	-	-	-	
C.4 write-offs	612	-	-	-	-	-	
C.5 transfers to other Non-Performing exposures	-	-	112	-	112	-	
C.6 other decreases	-	-	-	-	2	-	
- of which: business combinations	-	-	-	-	-	-	
<b>D. Closing balance (gross amounts)</b>	<b>309</b>	<b>-</b>	<b>1,024</b>	<b>-</b>	<b>27</b>	<b>-</b>	
- of which sold but not derecognised	-	-	-	-	-	-	

## Part E - Information on risks and hedging policies

## A.1.6 On- and off-balance sheet credit exposure with customers: gross and net values and past-due buckets

(€ '000)

EXPOSURE TYPES/AMOUNTS	AMOUNT AS AT 12.31.2016							
	GROSS EXPOSURE				PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS			PAST-DUE OVER 1 YEAR				
	PAST DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR					
<b>A. On-balance sheet exposures</b>								
a) Bad exposures	224,706	40,113	792,907	35,142,533	X	27,832,499	X	8,367,760
- of which: forborne exposures	100,716	3,147	46,826	1,208,840	X	937,974	X	421,555
b) Unlikely to pay	939,669	422,568	1,662,801	14,064,991	X	7,605,695	X	9,484,334
- of which: forborne exposures	658,480	146,198	859,450	7,136,371	X	3,695,976	X	5,104,523
c) Non-Performing past-due	-	100,274	242,041	274,989	X	245,701	X	371,603
- of which: forborne exposures	-	7,731	13,284	13,581	X	8,106	X	26,490
d) Performing past-due	X	X	X	X	4,977,725	X	210,193	4,767,532
- of which: forborne exposures	X	X	X	X	1,724,756	X	104,764	1,619,992
e) Other performing exposures	X	X	X	X	257,732,650	X	788,129	256,944,521
- of which: forborne exposures	X	X	X	X	2,079,902	X	73,101	2,006,801
<b>Total A</b>	<b>1,164,375</b>	<b>562,955</b>	<b>2,697,749</b>	<b>49,482,513</b>	<b>262,710,375</b>	<b>35,683,895</b>	<b>998,322</b>	<b>279,935,750</b>
<b>B. Off-balance sheet exposures</b>								
a) Non-Performing	1,601,932	-	-	-	X	154,323	X	1,447,609
b) Performing	X	X	X	X	58,527,228	X	337,411	58,189,817
<b>Total B</b>	<b>1,601,932</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,527,228</b>	<b>154,323</b>	<b>337,411</b>	<b>59,637,426</b>
<b>Total (A+B)</b>	<b>2,766,307</b>	<b>562,955</b>	<b>2,697,749</b>	<b>49,482,513</b>	<b>321,237,603</b>	<b>35,838,218</b>	<b>1,335,733</b>	<b>339,573,176</b>

On-balance sheet exposures to customers include all balance-sheet assets, including held-for-trading, available-for-sale, held-to-maturity assets, loans, assets at fair value through profit or loss and assets held for sale.

Off-balance sheet exposure comprises guarantees given, irrevocable commitments and derivatives regardless of each transaction's classification category.

The revocable commitments towards clients (not included in the off-balance sheet exposures) amount overall to €70,385 million.

The gross exposure of credit derivatives for which protection has been sold corresponds to (i) the sum of the face value and the positive fair value in respect of total rate of return swaps, (ii) to positive fair value in respect of credit spread swaps and (iii) to the notional value in respect of credit default products and credit linked notes.

On-balance sheet impaired gross exposures connected to the proposals for recourse to an arrangement with creditors made by the debtor, for the positions that have been converted into a Debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law or continuity of business, as well as the positions not yet assigned or with liquidatory purposes, amounted to a total of €4,270 million at December 31, 2016, against which specific impairments have been made for €3,224 million, with a total coverage level of 75.5%.

**A.1.7 On-balance sheet credit exposures with customers: gross changes in Non-Performing exposures**

(€ '000)

SOURCE/CATEGORIES	CHANGES IN 2016		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
<b>A. Opening balance (gross amount)</b>	<b>36,523,224</b>	<b>17,427,462</b>	<b>1,554,143</b>
- of which sold but not derecognised	429,765	518,693	52,382
<b>B. Increases</b>	<b>4,908,285</b>	<b>9,467,926</b>	<b>2,398,502</b>
B.1 transfers from Performing exposures	56,079	3,074,389	2,197,364
B.2 transfers from other Non-Performing exposures	4,145,209	2,032,260	21,200
B.3 other increases	706,997	4,361,277	179,938
- of which: business combinations	91,685	745,995	23,886
<b>C. Decreases</b>	<b>5,231,251</b>	<b>9,805,360</b>	<b>3,335,341</b>
C.1 transfers to Performing loans (including Performing past-due)	2,838	593,004	925,529
C.2 write-offs	3,337,546	488,282	64
C.3 recoveries	1,152,491	4,432,446	494
C.4 sales proceeds	287,450	173,709	-
C.5 losses on disposals	194,831	16,952	-
C.6 transfers to other Non-Performing exposures	72,239	3,988,456	2,137,973
C.7 other decreases	183,856	112,511	271,281
- of which: business combinations	-	-	-
<b>D. Closing balance (gross amounts)</b>	<b>36,200,258</b>	<b>17,090,028</b>	<b>617,304</b>
- of which sold but not derecognised	450,759	633,615	25,764

**A.1.7bis On-balance sheet credit exposures with customers: gross changes by credit quality in forborne**

(€ '000)

SOURCE/CATEGORIES	CHANGES IN 2016	
	FORBORNE EXPOSURES: NON PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Opening balance - gross exposure</b>	<b>7,360,066</b>	<b>2,606,143</b>
- of which sold but not derecognised	-	-
<b>B. Increases</b>	<b>6,350,117</b>	<b>3,836,960</b>
B.1 Transfers from performing not forborne	794,399	3,053,314
B.2 Transfers from performing forborne	900,237	X
B.3 Transfers from non-performing forborne	X	489,974
B.4 other increases	4,655,481	293,672
- of which: business combinations	531,645	84,541
<b>C. Decreases</b>	<b>3,515,558</b>	<b>2,638,446</b>
C.1 Transfers to performing not forborne	X	676,187
C.2 Transfers to performing forborne	489,974	X
C.1 Transfers to performing not forborne	X	900,237
C.4 write-offs	176,858	-
C.5 recoveries	1,995,065	-
C.6 sales proceeds	99,044	-
C.7 losses from disposals	8,992	-
C.8 other reductions	745,625	1,062,022
- of which: business combinations	-	-
<b>D. Closing balance (gross amounts)</b>	<b>10,194,625</b>	<b>3,804,657</b>
- of which sold but not derecognised	377,790	163,749

## Part E - Information on risks and hedging policies

## A.1.8 On-balance sheet Non-Performing credit exposures with customers: changes in overall impairment

(€ '000)

SOURCE/CATEGORIES	CHANGES IN 2016					
	BAD EXPOSURES	OF WHICH FORBORNE EXPOSURES	UNLIKELY TO PAY	OF WHICH FORBORNE EXPOSURES	NON-PERFORMING PAST DUE	OF WHICH FORBORNE EXPOSURES
<b>A. Opening balance (gross amount)</b>	<b>22,830,798</b>	<b>278,308</b>	<b>5,834,111</b>	<b>2,110,995</b>	<b>461,524</b>	<b>36,320</b>
- of which sold but not derecognised	130,628	526	195,826	171,053	18,889	-
<b>B. Increases</b>	<b>9,577,029</b>	<b>766,823</b>	<b>4,296,225</b>	<b>2,511,613</b>	<b>336,768</b>	<b>72,921</b>
B.1 writedowns	7,821,466	347,882	3,371,767	1,768,036	162,416	7,482
B.2 Losses on disposal (+)	194,831	37	16,952	8,955	-	-
B.3 transfers from other Non-Performing exposure	1,389,252	256,344	352,065	85,954	6,096	1,347
B.4 other increases	171,480	162,560	555,441	648,668	168,256	64,092
- of which: business combinations	90,530	-	244,566	-	19,311	-
<b>C. Reductions</b>	<b>4,575,328</b>	<b>107,157</b>	<b>2,524,641</b>	<b>926,632</b>	<b>552,591</b>	<b>101,134</b>
C.1 write-backs from assessments	699,066	30,465	222,051	183,300	2,160	109
C.2 write-backs from recoveries	240,172	3,083	340,701	250,713	32,362	1,226
C.3 gains on disposal (-)	51,812	-	35,493	31,798	-	-
C.4 write-offs	3,337,546	52,664	488,282	124,194	64	-
C.5 transfers to other Non-Performing exposures	36,185	5,381	1,312,258	249,582	398,970	88,680
C.6 other decreases	210,547	15,564	125,856	87,045	119,035	11,119
- of which: business combinations	-	-	-	-	-	-
<b>D. Closing balance (gross amounts)</b>	<b>27,832,499</b>	<b>937,974</b>	<b>7,605,695</b>	<b>3,695,976</b>	<b>245,701</b>	<b>8,107</b>
- of which sold but not derecognised	184,451	190,284	276,277	190,284	12,229	5,599

In the fourth quarter of 2016, UniCredit S.p.A. modified the parameters used to estimate the recoverable amount of their credit exposures to customers; in accordance with IAS8 (paragraph 5), since the basis for the measurement of the loans has not been modified, this change qualifies as a "change in accounting estimates". Detailed information on the effects of this change is provided, as required by IAS8 (paragraph 39) in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", which should be consulted for further information.

In addition, again in the last quarter of 2016, following the launch of the "FINO Project", involving a set of credit exposures to customers classified as Non-Performing Loans (the FINO Portfolio) held for sale, and according to the specific features of the Project, the loans included in the FINO portfolio have been valued on the basis of their respective selling prices, in accordance with IAS39, and specifically paragraphs 63 and AG 84. For complete disclosure on this subject, see the information provided in Part E - Information on risks and hedging policies - Section 1 - Credit Risk, under table "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)".



## A.2 Breakdown of exposures according to external and internal ratings

### A.2.1 On- and off- balance sheet credit exposure by external rating classes

(€ '000)

EXPOSURES	AMOUNTS AS AT 12.31.2016							NO RATING	TOTAL
	EXTERNAL RATING CLASSES								
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6			
<b>A. On-balance sheet exposures</b>	<b>6,870,422</b>	<b>5,335,128</b>	<b>77,637,294</b>	<b>15,515,610</b>	<b>547,676</b>	<b>18,225,477</b>	<b>183,056,911</b>	<b>307,188,518</b>	
<b>B. Derivative contracts</b>	-	<b>68,996</b>	<b>166,748</b>	<b>72,262</b>	<b>169,033</b>	-	<b>1,271,716</b>	<b>1,748,755</b>	
B.1 Financial derivative contracts	-	68,996	166,748	72,262	169,033	-	1,271,716	1,748,755	
B.2 Credit derivative contracts	-	-	-	-	-	-	-	-	
<b>C. Guarantees given</b>	<b>44,503</b>	<b>1,427,033</b>	<b>9,961,485</b>	<b>6,712,833</b>	<b>796,532</b>	<b>756,876</b>	<b>20,292,294</b>	<b>39,991,556</b>	
<b>D. Other commitments to disburse funds</b>	<b>44,878</b>	<b>1,594,963</b>	<b>6,917,922</b>	<b>2,988,501</b>	<b>245,056</b>	<b>702,952</b>	<b>18,079,031</b>	<b>30,573,303</b>	
<b>E. Other</b>	<b>1,021</b>	<b>24,839</b>	<b>1,520,280</b>	<b>2,801</b>	-	-	<b>205</b>	<b>1,549,146</b>	
<b>Total</b>	<b>6,960,824</b>	<b>8,450,959</b>	<b>96,203,729</b>	<b>25,292,007</b>	<b>1,758,297</b>	<b>19,685,305</b>	<b>222,700,157</b>	<b>381,051,278</b>	

Impaired assets are included in "Class 6".

Item "A. On-balance sheet Exposure" includes €918,268 thousand of units in investment funds.

The table details on- and off-balance sheet credits granted to counterparties rated by external rating agencies, which provide brief assessments of the creditworthiness of different classes of borrowers such as Sovereigns, Banks, Public-Sector Entities, Insurance Companies and (usually large) Enterprises.

The table refers to classification of 262/2005 Banca d'Italia Circular (4<sup>th</sup> update dated December 15, 2015); then it provides, for external ratings, 6 classes of creditworthiness.

The above presentation refers to the Standard and Poor's ratings, which are also associated to the ratings of the other two main Agencies, Moody's and Fitch.

In the case in which there are ratings from different Agencies for the same counterparty, the most prudential valuation is taken.

The "Investment Grade" area (Class 1 to Class 3) is comprised of 70.5% of the counterparties provided with an external rating and refers to clients with a high credit rating.

Exposures without ratings amount to 58.4% of the total portfolio reflecting the fact that a considerable part of the portfolio is composed of private clients and small and medium sized companies for which an external rating is not available.

## Part E - Information on risks and hedging policies

## A.2.2 On- and off- balance sheet exposure by internal rating classes

(€ '000)

EXPOSURES	AMOUNTS AS AT 12.31.2016									IMPAIRED EXPOSURES	NO RATING	TOTAL
	INTERNAL RATING CLASSES											
	1	2	3	4	5	6	7	8	9			
A. On-balance sheet exposures	1,978,368	3,660,153	126,921,076	59,620,493	19,498,490	16,153,878	9,638,655	4,178,356	2,978,809	18,225,022	43,416,950	306,270,250
B. Derivative contracts	-	5,847	391,329	571,304	144,838	341,688	38,709	38,627	13,462	-	202,949	1,748,753
B.1 Financial derivative contracts	-	5,847	391,329	571,304	144,838	341,688	38,709	38,627	13,462	-	202,949	1,748,753
B.2 Credit derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees given	-	56,681	14,509,190	11,812,734	3,010,602	2,757,153	1,127,767	369,178	210,305	748,157	5,389,790	39,991,557
D. Other commitments to disburse funds	20,371	131,800	12,388,732	3,668,268	601,458	508,480	542,390	106,386	79,692	699,452	11,826,272	30,573,301
E. Other	1,021	781	1,544,164	638	2,368	-	-	-	-	-	174	1,549,146
<b>Total</b>	<b>1,999,760</b>	<b>3,855,262</b>	<b>155,754,491</b>	<b>75,673,437</b>	<b>23,257,756</b>	<b>19,761,199</b>	<b>11,347,521</b>	<b>4,692,547</b>	<b>3,282,268</b>	<b>19,672,631</b>	<b>60,836,135</b>	<b>380,133,007</b>

INTERNAL RATING CLASSES	PD RANGE			
	1	2	3	4
1	0.0000%	<=	PD	<=
2	0.0036%	<	PD	<=
3	0.0208%	<	PD	<=
4	0.1185%	<	PD	<=
5	0.5824%	<	PD	<=
6	1.3693%	<	PD	<=
7	3.2198%	<	PD	<=
8	7.5710%	<	PD	<=
9	17.8023%	<	PD	<=

The table contains on- and off-balance sheet exposures grouped according to the counterparties' internal rating.

Ratings are assigned to individual counterparties using internally-developed models included in their credit risk management processes.

The internal models validated by the regulators are both 'Local' and 'Group-wide' (e.g. for banks, multinationals and sovereigns).

The various rating scales of these models are mapped onto a single master-scale of 9 classes (illustrated above) based on Probability of Default (PD).

### A.3 Breakdown of secured exposures by type of guarantee

#### A.3.1 Secured credit exposures with banks

(€ '000)

	AMOUNTS AS AT 12.31.2016														TOTAL (1)+(2)
	NET EXPOSURES	COLLATERAL (1)				CREDIT LINK NOTES	CREDIT DERIVATIVES (2)				SIGNATURE LOANS (LOANS GUARANTEES)				
		PROPERTY		SECURITIES	OTHER ASSETS		OTHER CREDIT DERIVATIVES			SIGNATURE LOANS (LOANS GUARANTEES)					
		MORTGAGES	FINANCE LEASES				GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	
<b>1. Secured On-Balance Sheet credit exposures:</b>															
1.1 totally secured	4,353,464	-	-	4,308,271	-	-	-	-	-	-	-	-	-	-	4,308,271
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	199,936	-	-	-	-	-	-	-	-	-	-	-	-	199,936	199,936
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Secured Off-Balance Sheet credit exposures:</b>															
2.1 totally secured	10,993	-	-	-	10,993	-	-	-	-	-	-	-	-	-	10,993
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	14,298	-	-	-	13,458	-	-	-	-	-	-	-	-	-	13,458
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

#### A.3.2 Secured credit exposures with customers

(€ '000)

	AMOUNTS AS AT 12.31.2016														TOTAL (1)+(2)
	NET EXPOSURES	COLLATERAL (1)				CREDIT LINK NOTES	CREDIT DERIVATIVES (2)				SIGNATURE LOANS (LOANS GUARANTEES)				
		PROPERTY		SECURITIES	OTHER ASSETS		OTHER CREDIT DERIVATIVES			SIGNATURE LOANS (LOANS GUARANTEES)					
		MORTGAGES	FINANCE LEASES				GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	
<b>1. Secured On-Balance Sheet credit exposures:</b>															
1.1 totally secured	120,671,629	72,634,937	-	26,051,083	2,153,084	-	-	-	-	-	400,173	1,157,888	71,914	15,947,602	118,416,681
- of which Non-Performing	13,518,384	10,760,304	-	84,851	149,221	-	-	-	-	-	49,503	40,226	10,460	2,098,436	13,193,001
1.2 partially secured	7,137,246	160,030	-	490,673	479,937	-	-	-	-	-	35,172	1,195,915	55,101	1,376,689	3,793,517
- of which Non-Performing	649,142	24,764	-	66,183	28,121	-	-	-	-	-	2,539	27,743	2,002	281,735	433,087
<b>2. Secured Off-Balance Sheet credit exposures:</b>															
2.1 totally secured	12,142,267	1,376,799	-	4,365,093	225,205	-	-	-	-	-	67,992	5,923	233,309	5,332,403	11,606,724
- of which Non-Performing	776,336	359,772	-	2,710	7,930	-	-	-	-	-	-	29	66,528	127,686	564,655
2.2 partially secured	1,245,675	16,030	-	93,108	100,652	-	-	-	-	-	105,254	7,398	57,178	318,747	698,367
- of which Non-Performing	39,649	2,750	-	948	3,481	-	-	-	-	-	-	3	1,735	9,150	18,067

In accordance with the instructions of Circular 262/2005 of Banca d'Italia, as of December 31, 2015, the value of the collateral cannot exceed the book value of the secured exposures; therefore, the lower of the loan at the book value and the value of the collateral is coherently presented.

## Part E - Information on risks and hedging policies

## B. Distribution and concentration of loans

## B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	433	15,656	X	91,988	38,257	X	91,193	992,132	X	
- of which: forbore exposures	-	-	X	-	-	X	562	80,975	X	
A.2 Unlikely to pay	-	-	X	7,774	3,123	X	744,464	554,513	X	
- of which: forbore exposures	-	-	X	92	67	X	376,031	266,939	X	
A.3 Non-Performing past-due	357	213	X	1,073	635	X	10,788	10,818	X	
- of which: forbore exposures	-	-	X	-	-	X	-	-	X	
A.4 Performing exposures	64,565,758	X	3,875	2,587,334	X	49,784	62,174,565	X	39,432	
- of which: forbore exposures	-	X	-	-	X	-	1,001	X	218	
<b>Total A</b>	<b>64,566,548</b>	<b>15,869</b>	<b>3,875</b>	<b>2,688,169</b>	<b>42,015</b>	<b>49,784</b>	<b>63,021,010</b>	<b>1,557,463</b>	<b>39,432</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	X	18,660	-	X	280	1,144	X	
B.2. Unlikely to pay	-	-	X	-	-	X	145,708	634	X	
B.3 Other Non-Performing exposures	-	-	X	18,773	11,241	X	-	-	X	
B.4 Performing exposures	2,198,557	X	6	5,037,501	X	2,468	12,292,453	X	879	
<b>Total B</b>	<b>2,198,557</b>	<b>-</b>	<b>6</b>	<b>5,074,934</b>	<b>11,241</b>	<b>2,468</b>	<b>12,438,441</b>	<b>1,778</b>	<b>879</b>	
<b>Total</b>	<b>12.31.2016</b>	<b>66,765,105</b>	<b>15,869</b>	<b>3,881</b>	<b>7,763,103</b>	<b>53,256</b>	<b>52,252</b>	<b>75,459,451</b>	<b>1,559,241</b>	<b>40,311</b>
<b>Total</b>	<b>12.31.2015</b>	<b>67,809,978</b>	<b>16,305</b>	<b>3,630</b>	<b>8,509,692</b>	<b>40,626</b>	<b>53,499</b>	<b>73,978,002</b>	<b>1,229,762</b>	<b>195,253</b>

Continued: B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTIES/EXPOSURES	INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES			
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	161	955	X	4,613,506	21,244,523	X	3,570,479	5,540,975	X	
- of which: forbore exposures	-	-	X	213,176	655,851	X	207,817	201,148	X	
A.2 Unlikely to pay	1	-	X	7,147,243	6,338,597	X	1,584,851	709,462	X	
- of which: forbore exposures	-	-	X	3,886,023	3,087,296	X	842,378	341,674	X	
A.3 Non-Performing past-due	112	67	X	96,138	47,007	X	263,135	186,961	X	
- of which: forbore exposures	-	-	X	3,605	1,257	X	22,885	6,849	X	
A.4 Performing exposures	196,959	X	74	72,984,740	X	571,595	59,202,698	X	333,561	
- of which: forbore exposures	-	X	-	1,180,580	X	72,342	2,445,212	X	105,304	
<b>Total A</b>	<b>197,233</b>	<b>1,022</b>	<b>74</b>	<b>84,841,627</b>	<b>27,630,127</b>	<b>571,595</b>	<b>64,621,163</b>	<b>6,437,398</b>	<b>333,561</b>	
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	X	120,482	35,434	X	1,729	14	X	
B.2. Unlikely to pay	-	-	X	1,107,684	104,244	X	20,765	424	X	
B.3 Other Non-Performing exposures	-	-	X	12,559	1,073	X	968	116	X	
B.4 Performing exposures	383,952	X	20	37,108,193	X	139,793	1,163,810	X	194,245	
<b>Total B</b>	<b>383,952</b>	<b>-</b>	<b>20</b>	<b>38,348,918</b>	<b>140,751</b>	<b>139,793</b>	<b>1,187,272</b>	<b>554</b>	<b>194,245</b>	
<b>Total</b>	<b>12.31.2016</b>	<b>581,185</b>	<b>1,022</b>	<b>94</b>	<b>123,190,545</b>	<b>27,770,878</b>	<b>711,388</b>	<b>65,808,435</b>	<b>6,437,952</b>	<b>527,806</b>
<b>Total</b>	<b>12.31.2015</b>	<b>716,116</b>	<b>1,006</b>	<b>501</b>	<b>116,319,294</b>	<b>21,963,238</b>	<b>668,838</b>	<b>71,198,591</b>	<b>5,981,731</b>	<b>296,044</b>

**B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value)**

(€ '000)

GEOGRAPHIC AREA/EXPOSURES	AMOUNT AS AT 12.31.2016									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	8,275,304	27,632,890	91,468	189,733	745	3,084	147	6,026	95	765
A.2 Unlikely to pay	8,882,627	7,321,583	525,682	268,662	75,606	14,492	90	28	328	930
A.3 Non-Performing past-due exposures	362,898	241,100	3,445	1,426	4,571	1,958	329	409	360	807
A.4 Performing exposures	237,064,245	898,760	21,658,417	72,826	1,190,952	9,318	1,666,697	17,363	131,744	53
<b>Total A</b>	<b>254,585,074</b>	<b>36,094,333</b>	<b>22,279,012</b>	<b>532,647</b>	<b>1,271,874</b>	<b>28,852</b>	<b>1,667,263</b>	<b>23,826</b>	<b>132,527</b>	<b>2,555</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	141,099	36,592	51	-	-	-	-	-	-	-
B.2 Unlikely to pay	1,190,916	103,796	70,832	1,506	12,409	-	-	-	-	-
B.3 Other Non-Performing exposures	32,280	12,428	17	-	-	-	-	-	4	1
B.4 Performing exposures	46,372,669	332,938	7,413,159	2,968	3,639,590	224	665,088	1,281	93,960	1
<b>Total B</b>	<b>47,736,964</b>	<b>485,754</b>	<b>7,484,059</b>	<b>4,474</b>	<b>3,651,999</b>	<b>224</b>	<b>665,088</b>	<b>1,281</b>	<b>93,964</b>	<b>2</b>
<b>Total A+B</b>										
<b>12.31.2016</b>	<b>302,322,038</b>	<b>36,580,087</b>	<b>29,763,071</b>	<b>537,121</b>	<b>4,923,873</b>	<b>29,076</b>	<b>2,332,351</b>	<b>25,107</b>	<b>226,491</b>	<b>2,557</b>
<b>Total A+B</b>										
<b>12.31.2015</b>	<b>315,226,406</b>	<b>30,167,097</b>	<b>19,671,430</b>	<b>226,813</b>	<b>2,399,164</b>	<b>31,260</b>	<b>776,380</b>	<b>22,578</b>	<b>458,289</b>	<b>2,688</b>

**B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value) - Italy**

(€ '000)

GEOGRAPHIC AREA/EXPOSURES	AMOUNT AS AT 12.31.2016							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. Balance sheet exposures</b>								
A.1 Bad exposures	2,526,261	6,798,919	1,829,235	5,720,844	1,855,722	7,606,337	2,064,086	7,506,790
A.2 Unlikely to pay	2,633,474	2,157,571	1,833,429	1,674,737	2,615,765	2,067,301	1,799,959	1,421,974
A.3 Non-Performing past-due exposures	81,767	58,315	61,041	39,105	86,862	52,227	133,227	91,453
A.4 Performing exposures	64,722,705	283,642	42,229,896	155,430	107,123,852	267,456	22,987,793	192,232
<b>Total A</b>	<b>69,964,207</b>	<b>9,298,447</b>	<b>45,953,601</b>	<b>7,590,116</b>	<b>111,682,201</b>	<b>9,993,321</b>	<b>26,985,065</b>	<b>9,212,449</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Bad exposures	37,435	5,608	42,326	14,470	30,375	4,602	30,964	11,911
B.2 Unlikely to pay	455,993	68,328	194,706	21,683	453,279	9,820	86,937	3,965
B.3 Other Non-Performing exposures	7,801	672	587	69	22,920	11,617	972	71
B.4 Performing exposures	17,172,130	203,469	7,164,609	4,709	19,512,787	122,851	2,523,143	1,909
<b>Total B</b>	<b>17,673,359</b>	<b>278,077</b>	<b>7,402,228</b>	<b>40,931</b>	<b>20,019,361</b>	<b>148,890</b>	<b>2,642,016</b>	<b>17,856</b>
<b>Total A+B</b>								
<b>12.31.2016</b>	<b>87,637,566</b>	<b>9,576,524</b>	<b>53,355,829</b>	<b>7,631,047</b>	<b>131,701,562</b>	<b>10,142,211</b>	<b>29,627,081</b>	<b>9,230,305</b>
<b>Total A+B</b>								
<b>12.31.2015</b>	<b>90,016,825</b>	<b>7,790,726</b>	<b>54,624,965</b>	<b>6,419,540</b>	<b>138,203,768</b>	<b>8,305,466</b>	<b>32,380,848</b>	<b>7,651,365</b>

## Part E - Information on risks and hedging policies

**B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value)**

(€ '000)

EXPOSURES/GEOGRAPHIC AREA	AMOUNT AS AT 12.31.2016									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>										
A.1 Bad exposures	-	-	-	309	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	1,327	1,024	-	-
A.3 Non-Performing past-due	-	-	-	-	-	-	-	26	-	-
A.4 Performing exposures	12,787,075	709	12,797,142	1,457	375,565	9,997	226,960	486	146,434	500
<b>Total A</b>	<b>12,787,075</b>	<b>709</b>	<b>12,797,142</b>	<b>1,766</b>	<b>375,565</b>	<b>9,997</b>	<b>228,287</b>	<b>1,536</b>	<b>146,434</b>	<b>500</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	314,330	135	10,803,991	844	205,438	1,576	1,051,652	251	306,128	311
<b>Total B</b>	<b>314,330</b>	<b>135</b>	<b>10,803,991</b>	<b>844</b>	<b>205,438</b>	<b>1,576</b>	<b>1,051,652</b>	<b>251</b>	<b>306,128</b>	<b>311</b>
<b>Total A+B</b>										
12.31.2016	13,101,405	844	23,601,133	2,610	581,003	11,573	1,279,939	1,787	452,562	811
<b>Total A+B</b>										
12.31.2015	10,704,328	10,326	31,134,052	2,378	232,859	623	1,483,991	2,957	886,561	1,311

**B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value) - Italy**

(€ '000)

EXPOSURES/GEOGRAPHIC AREA	AMOUNT AS AT 12.31.2016							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
<b>A. On-balance sheet exposures</b>								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-Performing past-due	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,254,964	621	205,109	19	9,326,980	69	22	-
<b>Total A</b>	<b>3,254,964</b>	<b>621</b>	<b>205,109</b>	<b>19</b>	<b>9,326,980</b>	<b>69</b>	<b>22</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Bad exposures	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-
B.4 Performing exposures	215,079	37	85,400	96	13,788	2	63	-
<b>Total B</b>	<b>215,079</b>	<b>37</b>	<b>85,400</b>	<b>96</b>	<b>13,788</b>	<b>2</b>	<b>63</b>	<b>-</b>
<b>Total A+B</b>								
12.31.2016	3,470,043	658	290,509	115	9,340,768	71	85	-
<b>Total A+B</b>								
12.31.2015	7,610,912	438	2,761,166	177	332,189	9,710	63	-

## B.4 Large exposures

	12.31.2016
a) Amount book value (€ million)	279,544
b) Amount weighted value (€ million)	15,922
c) Number	8

In compliance with Article 4.1 39 of Regulation (EU) No.575/2013 (CRR), in case of exposures towards a group of connected clients formed by a Central Government and other groups of connected clients, such exposure towards the Central Government is reported for each group of connected clients when remitting regulatory reporting; despite the regulatory approach above mentioned, both the amounts shown in letter a), b), and the number in the letter c) in the table above disclose only once the exposure towards the Central Government.

Please also note that deferred tax assets towards Italian Central Government were considered as fully exempted and, as a consequence, the weighted amount reported is null.

## C. Securitisation transactions

### Qualitative information

In 2016 UniCredit S.p.A. carried out two traditional (of which one self-securitization) and eight synthetic new securitization transactions:

- Consumer Three (traditional - self-securitization)
- Pillarstone Italy - Premuda (traditional)
- Agribond (synthetic)
- ARTS Midcap4 (synthetic)
- ARTS Midcap5 (synthetic)
- Bond Italia3 Investimenti (synthetic)
- Bond Italia3 Misto (synthetic)
- Sardafidi (synthetic)
- Bond Italia4 Investimenti (synthetic)
- Bond Italia4 Misto (synthetic)

details of the transactions - traditional and synthetic - are set out in the tables enclosed in the 'Annexes' to the Company Accounts, including also those carried out in previous financial years.

It should be noted that, again during 2016:

- the transactions Cordusio RMBS and Trevi Finance 3, both traditional securitizations, were closed
- a new securitization transaction called Sandokan was launched, concerning the sale of a portfolio of mortgage loans, in warehousing as at December 31, 2016, pending the issuance of ABS securities by the Special Purpose Vehicle.

It should also be noted that "self-securitizations" and transactions in warehousing phase are not included in the quantitative tables of Part C, as required by regulations.

Part of the portfolio are:

- own securitization transactions, both traditional and synthetic, including also those traditional carried out by the Banks absorbed by UniCredit S.p.A. in previous years, for a book value of €12,509 million as at December 31, 2016;
- securities arising out of securitization transactions carried out by other Companies belonging to the UniCredit group, for a book value of €99 million as at December 31, 2016;
- other third-party securitization exposures, for a book value of €112 million as at December 31, 2016.

## Part E - Information on risks and hedging policies

## Quantitative information

**C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure**

(€ '000)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	35,622	-
A.1 CBO OTHERS	-	-	-	-	35,622	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>11,010,043</b>	-	<b>278,456</b>	-	<b>1,194,675</b>	<b>(128,654)</b>
C.1 RMBS Prime	1,177,764	-	205,404	-	545,228	(65,555)
C.2 CLO SME	2,246	-	-	-	33	-
C.3 CLO OTHERS	9,830,033	-	73,052	-	141,976	(45,007)
C.4 CONSUMER LOANS	-	-	-	-	507,438	(18,092)

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2016 only.

continued: C.1 - Exposure from the main "in-house" securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>304,000</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	304,000	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-

continued: C.1 - Exposure from the main "in-house" securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
<b>A. Totally derecognised</b>	-	-	-	-	-	-
A.1 CBO OTHERS	-	-	-	-	-	-
<b>B. Partially derecognised</b>	-	-	-	-	-	-
<b>C. Not-derecognised</b>	<b>13,156</b>	-	-	-	-	-
C.1 RMBS Prime	-	-	-	-	-	-
C.2 CLO SME	-	-	-	-	-	-
C.3 CLO OTHERS	13,156	-	-	-	-	-
C.4 CONSUMER LOANS	-	-	-	-	-	-



**C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure**

(€ '000)

TYPE OF SECURITISED ASSETS/EXPOSURE	BALANCE-SHEET EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS	CARRYING VALUE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	28,740	-	4,000	9	43,388	(288)
- CONSUMER LOANS	16,339	-	-	-	-	-
- LEASING	2,726,607	-	40,679	-	-	-

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

continued: C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURE	CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## C.3 SPVs for securitizations

(€ '000)

NAME OF SECURITIZATION/SPES	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS			LIABILITIES		
			LOANS AND RECEIVABLES	DEBT SECURITIES	OTHERS	SENIOR	MEZZANINE	JUNIOR
Capital Mortgage S.r.l. - BIPCA Cordusio	Piazzetta Monte 1 - 37121 Verona	Yes	405,464	-	73,970	333,034	99,603	7,122
Capital Mortgage S.r.l. - 2007	Piazzetta Monte 1 - 37121 Verona	Yes	885,158	-	195,252	837,151	74,000	67,493
CONSUMER TWO SRL	Piazzetta Monte 1 - 37121 Verona	Yes	507,438	-	90,657	66,454	-	493,677
Cordusio RMBS - UCFin S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	665,903	-	184,845	589,386	148,001	15,032
Cordusio RMBS Securitisation S.r.l. - Serie 2006	Piazzetta Monte 1 - 37121 Verona	Yes	417,192	-	184,691	415,743	141,701	10,687
Cordusio RMBS Securitisation S.r.l. - Serie 2007	Piazzetta Monte 1 - 37121 Verona	Yes	1,199,942	-	259,610	1,096,653	236,402	2,329
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	153,003	-	28,166	76,789	59,020	7,632
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	245,652	-	15,083	135,474	36,864	32,311
Heliconus S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	76,561	-	13,452	35,767	30,830	8,990
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	204,900	-	83,180	253,184	-	33,644
ARCOBALENO FINANCE SRL	Foro Buonaparte,70 - 20121 Milano	No	88,966	-	5,253	42,659	-	54,700
AUGUSTO SRL	Via Pontaccio, 10 - 20121 Milano	No	831	-	2,020	13,588	-	-
Caesar Finance S.A.	4 Rue Henry M. Schnadt - 2530 Luxembourg	No	-	35,788	-	-	-	48,341
COLOMBO SRL	Via Pontaccio, 10 - 20121 Milano	No	16,325	-	6,637	-	61	19,722
CREDIARC SPV SRL	Foro Buonaparte,70 - 20121 Milano	No	65,569	-	5,826	55,000	-	26,411
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni, 14 - 20122 Milano	No	192,183	-	4,483	6,959	132,225	27,078
Pillarstone Italy SPV S.r.l. - Comital	Via Pietro Mascagni, 14 - 20122 Milano	No	38,170	-	4,145	10	19,425	24,465
Pillarstone Italy SPV S.r.l. - Lediberg	Via Pietro Mascagni, 14 - 20122 Milano	No	52,498	-	161	419	7,968	44,035
Pillarstone Italy SPV S.r.l. - Premuda	Via Pietro Mascagni, 14 - 20122 Milano	No	261,348	-	1,311	8,921	172,867	76,657
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni, 14 - 20122 Milano	No	75,361	-	236	890	16,921	56,405
Sestante Finance S.r.l.	Via Borromei, 5 - 20123 Milano	No	285,191	-	-	208,925	89,502	8,610

## C.4 Special Purpose Vehicles for securitizations not consolidated

See the corresponding item of Consolidated Financial Statements.

## C.5 Servicer activities - "In-house" securitisation transactions - Collections of securitised loans and redemptions of securities issued by the special purpose vehicle for securitization

(€ '000)

Servicer	Special purpose vehicle	Securitized assets (year end figures)		Loans collected during the year		Percentage of securities redeemed (year end figures)					
		Non-Performing	Performing	Non-Performing	Performing	senior		mezzanine		junior	
						Non-Performing assets	Performing assets	Non-Performing assets	Performing assets	Non-Performing assets	Performing assets
UniCredit S.p.A.	Capital Mortgage S.r.l. - BIPCA Cordusio	35,777	369,686	2,568	49,701	-	67.90%	-	-	-	-
	Capital Mortgage S.r.l. - 2007	133,104	752,054	7,322	112,149	-	71.45%	-	-	-	-
	Consumer Two S.r.L.	14,478	492,960	1,798	429,452	-	94.99%	-	-	-	-
	Cordusio RMBS Securitisation S.r.L. - SERIE 2006	29,570	387,622	4,384	109,050	-	89.80%	-	-	-	-
	Cordusio RMBS Securitisation S.r.L. - SERIE 2007	114,990	1,084,953	8,496	183,164	-	76.61%	-	-	-	-
	Cordusio RMBS UCFin S.r.L.	82,599	583,304	5,344	97,784	-	81.68%	-	-	-	-
	F-E Mortgage S.r.L. - SERIE 2003	17,693	135,310	2,213	21,166	-	92.22%	-	-	-	-
	F-E Mortgage S.r.L. - SERIE 2005	29,494	216,158	2,968	31,493	-	85.76%	-	10.31%	-	10.31%
	Heliconus S.r.L.	7,354	69,207	1,095	11,045	-	93.08%	-	-	-	-
	Large Corporate One S.r.L.	-	204,900	-	191,245	-	-	-	-	-	-
	Trevi Finance No.3 S.p.A.	-	-	-	377,195	100.00%	-	100.00%	-	-	100.00%

## D. Information on structured entities not consolidated for accounting purposes (other than vehicles for securitization transactions)

See the corresponding section of Consolidated Financial Statements.

## E. Sales transactions

### A. Financial Assets sold and not fully derecognized

#### E.1 Financial assets sold and not derecognised: book value and full value

(€ '000)

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2016								
	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS			AVAILABLE FOR SALE FINANCIAL ASSETS		
	A	B	C	A	B	C	A	B	C
<b>A. On-balance sheet assets</b>	<b>3,019,827</b>	-	-	-	-	-	<b>30,399,127</b>	-	-
1. Debt securities	3,019,827	-	-	-	-	-	30,399,127	-	-
2. Equity securities	-	-	-	-	-	-	-	-	-
3. UCIS	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Total 12.31.2016</b>	<b>3,019,827</b>	-	-	-	-	-	<b>30,399,127</b>	-	-
<i>of which Non-Performing</i>	-	-	-	-	-	-	-	-	-
<b>Total 12.31.2015</b>	<b>1,118,403</b>	-	-	-	-	-	<b>21,871,624</b>	-	-
<i>of which Non-Performing</i>	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

continued: E.1 Financial assets sold and not derecognised: book value and full value

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2016									TOTAL	
	HELD-TO-MATURITY INVESTMENTS			LOANS AND RECEIVABLES WITH BANKS			LOANS AND RECEIVABLES WITH CUSTOMERS				
	A	B	C	A	B	C	A	B	C	12.31.2016	12.31.2015
<b>A. On-balance sheet assets</b>	739,453	-	-	-	-	-	4,933,336	-	-	39,091,743	30,914,924
1. Debt securities	739,453	-	-	-	-	-	-	-	-	34,158,407	24,705,573
2. Equity securities	X	X	X	X	X	X	X	X	X	-	-
3. UCIS	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	4,933,336	-	-	4,933,336	6,209,351
<b>B. Derivatives</b>	X	X	X	X	X	X	X	X	X	-	-
<b>Total 12.31.2016</b>	739,453	-	-	-	-	-	4,933,336	-	-	39,091,743	X
<i>of which Non-Performing</i>	-	-	-	-	-	-	637,181	-	-	637,181	X
<b>Total 12.31.2015</b>	1,715,546	-	-	-	-	-	6,209,351	-	-	X	30,914,924
<i>of which Non-Performing</i>	-	-	-	-	-	-	655,496	-	-	X	655,496

**LEGEND:**

A = Financial assets sold and fully recognised (book value)  
 B = Financial assets sold and partially recognised (book value)  
 C = Financial assets sold and partially recognised (full value)

Loans (A.4) are assets sold and not derecognized under securitizations.

Debt securities (A.1) are underlying repo agreements.

**E.2 Financial liabilities relating to financial assets sold and not derecognised: carrying value**

(€ '000)

LIABILITIES/ASSETS PORTFOLIOS	AMOUNTS AS AT 12.31.2016						TOTAL
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE FOR SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	LOANS AND RECEIVABLES WITH BANKS	LOANS AND RECEIVABLES WITH CUSTOMERS	
<b>1. Deposits from customers</b>	1,260,745	-	23,319,415	-	-	2,303,937	26,884,097
a) relating to fully recognised assets	1,260,745	-	23,319,415	-	-	2,303,937	26,884,097
b) relating to partially recognised assets	-	-	-	-	-	-	-
<b>2. Deposits from Banks</b>	1,743,811	-	6,981,662	760,567	-	-	9,486,040
a) relating to fully recognised assets	1,743,811	-	6,981,662	760,567	-	-	9,486,040
b) relating to partially recognised assets	-	-	-	-	-	-	-
<b>Total 12.31.2016</b>	3,004,556	-	30,301,077	760,567	-	2,303,937	36,370,137
<b>Total 12.31.2015</b>	1,158,557	-	22,818,038	760,596	-	3,336,259	28,073,450

**E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognized: fair value**

(€ '000)

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2016					
	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE FINANCIAL ASSETS	
	A	B	A	B	A	B
<b>A. On-balance sheet assets</b>	3,019,827	-	-	-	30,399,127	-
1. Debt securities	3,019,827	-	-	-	30,399,127	-
2. Equity securities	-	-	-	-	-	-
3. UCIS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	X	X	X	X
<b>Total assets</b>	3,019,827	-	-	-	30,399,127	-
<b>C. Associated financial liabilities</b>	2,998,771	-	-	-	29,849,754	-
1. Deposits from customers	1,254,642	-	-	-	22,898,133	-
2. Deposits from banks	1,744,129	-	-	-	6,951,621	-
3. Debt securities in issue	-	-	-	-	-	-
<b>Total liabilities</b>	2,998,771	-	-	-	29,849,754	-
<b>Total 12.31.2016</b>	21,056	-	-	-	549,373	-
<b>Total 12.31.2015</b>	(40,154)	-	-	-	(946,414)	-

continued: E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognized: fair value

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2016						TOTAL	
	HELD-TO-MATURITY INVESTMENTS		LOANS AND RECEIVABLES WITH BANKS		LOANS AND RECEIVABLES WITH CUSTOMERS		12.31.2016	12.31.2015
	A	B	A	B	A	B		
<b>A. On-balance sheet assets</b>	<b>748,853</b>	-	-	-	<b>5,100,196</b>	-	<b>39,268,003</b>	<b>31,315,365</b>
1. Debt securities	748,853	-	-	-	-	-	34,167,807	24,724,770
2. Equity securities	X	X	X	X	X	X	-	-
3. UCIS	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	5,100,196	-	5,100,196	6,590,595
<b>B. Derivatives</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	-	-
<b>Total assets</b>	<b>748,853</b>	-	-	-	<b>5,100,196</b>	-	<b>39,268,003</b>	<b>31,315,365</b>
<b>C. Associated financial liabilities</b>	<b>760,567</b>	-	-	-	<b>2,078,690</b>	-	<b>X</b>	<b>X</b>
1. Deposits from customers	-	-	-	-	2,078,690	-	X	X
2. Deposits from banks	760,567	-	-	-	-	-	X	X
3. Debt securities in issue	-	-	-	-	-	-	X	X
<b>Total liabilities</b>	<b>760,567</b>	-	-	-	<b>2,078,690</b>	-	<b>35,687,782</b>	<b>27,816,888</b>
<b>Totale 12.31.2016</b>	<b>(11,714)</b>	-	-	-	<b>3,021,506</b>	-	<b>3,580,221</b>	<b>X</b>
<b>Total 12.31.2015</b>	<b>974,147</b>	-	-	-	<b>3,510,898</b>	-	<b>X</b>	<b>3,498,477</b>

**LEGEND:**

A = Financial assets sold and fully recognized

B = Financial assets sold and partially recognized

**B. Financial Assets sold and totally derecognized with recognition of continuing involvement**

At the end of the year they were no disposals of financial assets that had been fully derecognized, which required the recognition of continuing involvement.

**E.4 Covered Bond Transactions**

In 2008 UniCredit S.p.A. initiated a Covered Bond (*OBG* or *Obbligazioni Bancarie Garantite*) Program with residential mortgage loans as the underlying assets, in line with Law 130/99, the MEF decree dated December 14, 2006 and Banca d'Italia instructions dated May 17, 2007 as amended on March 24, 2010 and on June 24, 2014.

Under this program:

- UniCredit S.p.A. is issuer and also acts as transferor of suitable assets and servicer;
- UniCredit BpC Mortgage S.r.l. (a Special Purpose Vehicle set up within the banking group as expressly authorized by Banca d'Italia) is guarantor of the OBG holders, within the limits of the cover pool; and
- the auditing firm BDO S.p.A. (formerly Mazars S.p.A.) is Asset Monitor.

UniCredit S.p.A.'s main aims in issuing OBGs are to diversify its funding sources and fund at competitive rates. As with the securitizations, the difficulties in the markets made it advisable to use securitization as a means of increasing the counterbalancing capacity by retaining part of the securities issued by the vehicle.

An integral feature of OBG Program management is maintaining a balance between the characteristics of the assets sold and the issues. This is necessary to maintain the efficacy of the guarantee given by the SPV to the bondholders.

Given the complexity of the transaction, a system of first- and second-level controls and procedures has been set up, as required by Banca d'Italia instructions, to identify units, functions, duties and responsibilities, and specific policies have been issued to this end.

The policies were as approved by the competent committees, the Statutory Auditors and the Board of Directors of UniCredit S.p.A.

## Part E - Information on risks and hedging policies

As required by Banca d'Italia instructions on controls:

- UniCredit's Risk Management function is charged with the management of the issuer's risks and checks:
  - the quality, suitability and integrity of the assets sold to guarantee the OBGs;
  - that the maximum ratio of OBGs issued to assets sold to guarantee them is adhered to;
  - that limits on sales and supplementary sales procedures are followed;
  - the effectiveness and adequacy of the hedges provided by any derivatives contracts entered into in relation to the Program; and
  - the trend in the balance between the cash flow arising from the cover pool and that absorbed by the OBGs in issue;
- the Asset Monitor is an outside independent entity charged with checking at least annually the regularity of the transactions and the integrity of the guarantee to the bondholders;
- UniCredit's internal audit department is responsible for a complete audit (to be conducted at least once a year of the adequacy of the controls performed);
- the results of the audits performed by the Asset Monitor and the issuer's internal audit department are submitted to the governing bodies.

Moreover, in order to create counterbalancing capacity, at the end of January 2012 UniCredit S.p.A. initiated a new Covered Bonds (OBG or *Obbligazioni Bancarie Garantite*) program ("New OBG Program"), without specific ratings and having residential mortgage loans and commercial mortgage loans as underlyings. The contractual and supervisory structure and the counterparties of this program are modeled on the pre-existing program, with the exception of references to Ratings Agencies and the use of a new Special Purpose Vehicle, UniCredit OBG S.r.l. During 2014 the New OBG Programme was restructured after which the method of reimbursing OBGs was converted from Soft-bullet to Conditional Pass-through and a rating of AA+ was assigned by the rating agency Fitch.

At December 31, 2016 the series of covered bonds issued under the two programs totaled 28 and were worth €25,156 million, of which € 11,450 million was repurchased by UniCredit S.p.A.

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE)
Originator:	UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A.)
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding
Type of asset:	Private Mortgage loans
Quality of asset:	Performing
Book value of the underlying assets at the end of accounting period (€):	16,952,595,990.48
Covered Bonds issued at the end of accounting period (€):	11,206,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loans of total 17,775,276,946.85
Rating Agencies:	S & P - Moody's - Fitch
Rating:	A (from 12/19/2015) - Aa2 (from 01/21/2015) - AA+ (from 11/23/2016)

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE) II PROGRAM
Originator:	UniCredit S.p.A.
Issuer:	UniCredit S.p.A.
Servicer:	UniCredit S.p.A.
Arranger:	UniCredit Bank AG, London Branch
Target transaction:	Funding - Counterbalancing Capacity
Type of asset:	Private Mortgage loans
Quality of asset:	Performing
Book value of the underlying assets at the end of accounting period (€):	16,683,416,682.63
Covered Bonds issued at the end of accounting period (€):	13,950,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of total 18,914,119,827.74 euro.
Rating Agencies:	Fitch
Rating:	AA+ (from 12/23/2014)

### Other transactions

With reference to the instructions in Banca d'Italia/Consob/IVASS document No.6 of March 8, 2013 - Booking of "long-term structured repos", there are no transactions of this kind to report. In addition, with reference to an investment of UniCredit S.p.A. in a debt security issued by the Italian Republic maturing on August 30, 2019 (ITALY 19EUR FRN) subscribed for during placement for a nominal amount of €750 million and with a book value of €739 million including accrued interest at December 31, 2016 (classified in the held-to-maturity portfolio in accordance with the economic purpose), a term repo (conducted in two stages) for a total nominal amount of €750 million, with a book value of liabilities of €761 million at December 31, 2016, was completed in 2012.

At the same time, a 4.25% BTP maturing in September 2019 was purchased under a term reverse repo (conducted in 2 stages) for a total nominal value of €750 million and a book value of €761 million at December 31, 2016, with the economic purpose of obtaining the availability of more liquid securities (compared with the security ITALY 19EUR FRN) – with the same maturity and similar underlying risks – that can be therefore used more easily for refinancing operations. The term repo and the term reverse repo are subject to netting (whose value is collateralized by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause is accounted for as a financial guarantee issued, in accordance with the nature of the commitments of the parties. The fair value at trade date - €22 million - was initially recorded in other liabilities and is amortized on a pro-rata basis according to the current accounting rules.

### Information on Sovereign Exposures

In accordance with CONSOB Notice DEM/11070007 of August 5, 2011 (which in turn refers to ESMA document 2011/266 of July 28, 2011) concerning information to be disclosed in the financial reports on exposures held by listed companies in debt securities and sovereign financing, as well as the current trend in global markets, details are provided on Sovereign Exposures<sup>10</sup> held by UniCredit S.p.A. as of December 31, 2016.

Altogether, the book value of Sovereign Exposures represented by "debt securities" as of December 31, 2016 was €58,129 million, of which nearly 78% in connection with Italy.

This exposure is shown in the table below:

### Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 12.31.2016		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>- Italy</b>	<b>42,664,391</b>	<b>45,628,611</b>	<b>45,650,206</b>
financial assets/liabilities held for trading (net exposures*)	487,107	326,990	326,951
financial assets at fair value through profit or loss	1,034	1,035	1,035
available for sale financial assets	41,231,664	44,365,238	44,365,238
loans and receivables	179,093	180,177	184,476
held to maturity investments	765,494	755,171	772,506

(\*) Including exposures in Credit Derivatives.

The remaining 22% of total Sovereign Exposures to debt securities, equal to €12,4 million, still in connection with the relative book value as of December 31, 2016, is spread over 18 countries, of which €6,590 million to Spain, €3,283 million to France, €972 million to the Germany, and €446 million to Poland.

The exposures in question were not subject to impairment in 2016.

The table below ranks debt securities and their percentage share over their related total portfolio.

### Breakdown of Sovereign Debt Securities by Portfolio

(€ '000)

	AMOUNTS AS AT 12.31.2016				
	FINANCIAL ASSETS AT FAIR VALUE (*)	AVAILABLE FOR SALE FINANCIAL ASSETS	LOANS	HELD TO MATURITY INVESTMENTS	TOTAL
Book value	357,451	56,809,403	206,979	755,171	58,129,005
% Portfolio	4.67%	88.04%	0.10%	100.00%	20.31%

(\*) The financial assets measured at fair value include "assets held for trading" and "assets measured at fair value".

<sup>10</sup> Sovereign Exposures means debt obligations issued by central and local governments, and government bodies as well as loans granted to them. For purposes of the current risk exposure any positions held through ABSs are excluded.

## Part E - Information on risks and hedging policies

"Financing"<sup>11</sup> granted to central and local governments, and government entities must also be added to Sovereign Exposures in debt securities, as shown in the table below:

**Breakdown of Sovereign Loans by Country**

(€ '000)

COUNTRY	AMOUNTS AS AT 12.31.2016 BOOK VALUE
- Italy	3,096,837
- Brazil	99,141
- Turkey	69,698
- Dominican Republic	45,006
- Abu Dhabi	6,174
- Indonesia	26
- Uzbekistan	17
- Haiti	15
- Saudi Arabia	10
- Latvia	5
- Nigeria	3
- Portugal	2
- Romania	1
- Other	6
<b>Total on-balance sheet exposures</b>	<b>3,316,942</b>

For more details on the analysis of sensitivity to credit spreads and the outcome of stress tests, please see the "Greece default", "Sovereign Debt Tension" and "Widespread Contagion" scenarios described under Section 2 - Market risks below. For details regarding liquidity management policies, please see the following Section 3 - Liquidity risk.

**Information on OTC Trading Derivatives with Customers**

The business model governing OTC derivatives trading with customers provides for centralization of market risk in the CIB Division-Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the Commercial banks and Divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g., structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

The UniCredit group trades OTC derivatives on a wide range of underlying, e.g.: interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalization; new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and control in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to credit risk mitigation techniques, for example "netting" and/or collateral agreements.

<sup>11</sup> Excluding tax items.



Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from Credit & Loan-Credit default swaps, in order to obtain a value in terms of 'expected loss' to be used for items designated and measured at fair value maximizing usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20. Financial assets held for trading" and of balance-sheet liability item "40. Financial liability held for trading".

To make the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular No.262 as for its fourth update published on December 15, 2015 (which was used for the preparation of the accounts) was used as a reference.

Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross currency swaps) and/or leverage effects.

The balance of item 20 "Financial assets held for trading" with regard to derivative contracts totaled €7,861million (with a notional value of €182,148 million) including €3,735 million with customers. The notional value of derivatives with customers amounted to €68,916 million including €66,335 million in plain vanilla (with a fair value of €3,484 million) and €2,582 million in structured derivatives (with a fair value of €251 million). The notional value of derivatives with banking counterparties totaled €113,232 million (fair value of €4,127 million) including €1,824 million related to structured derivatives (fair value of €99 million).

The balance of item 40 "Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €8,034 million (with a notional value of €175,734 million) including €3,112 million with customers. The notional value of derivatives with customers amounted to €54,604 million including €52,801 million in plain vanilla (with a fair value of €2,935 million) and €1,803 million in structured derivatives (with a fair value of €177 million). The notional value of derivatives with banking counterparties totaled €121,131 million (fair value of €4,922 million) including €2,561 million related to structured derivatives (fair value of €512 million).

#### **F. Credit risk measurement models**

At the end of October 2016 the expected loss on the credit risk perimeter was 0.61% of total Bank credit exposure. This trend is mitigated by the exposures which migrate to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario. As of September 30, 2016, the Bank economic capital on the loan portfolio due to the default risk totaled 2.47% of total Bank credit exposures increased compared with June 2016 (2.34%) mainly due to a slight increase in credit portfolio concentration.

## **Section 2 - Market risks**

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading Book, as well as those posted in the Banking Book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within the UniCredit group accordingly includes all activities related to cash transactions and capital structure management, both for the Parent company, as well as for the individual companies making up the Group.

The current organizational model guarantees the ability to steer, to coordinate and to control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centers (Portfolio Risk Managers), completely focused and specialized on such risks, under a Group and interdivisional perspective.

According to this organization, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

#### **Risk Management Strategies and Processes**

The Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to risks assumed.

## Part E - Information on risks and hedging policies

In addition to the Group Risk Internal Controller Committee, with reference to the management of Market Risks, the responsible Committees are:

- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

The "Group Market Risk Committee" is responsible for monitoring market risks at Group level, for evaluating the impact of transactions, approved by the competent bodies, significantly affecting the overall Market Risk portfolio profile, for submitting to the "Group Risk Internal Controller Committee", for approval or information, market risk strategies, policies, methodologies and limits as well as regular reporting on the market risk portfolio.

The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Divisions, Business Units and Legal Entities. It controls and monitors the Group market risk portfolio.

The "Group Assets and Liabilities Committee" is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and Banking Book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities. It also ensures the consistency of the practices and methodologies related to liquidity, FX and Banking Book interest rate across Business Functions and Legal Entities, with the aim to optimize the usage of financial resources (e.g. liquidity and capital) in coherence with Risk Appetite and Business Strategies.

### Structure and Organization

The "Group Financial Risk" is responsible for the government and control of Group financial risks (liquidity, interest rate, market, counterparty and trading credit risks) through the evaluation of strategies and the proposal to relevant Bodies of risk limits and Global/Local rules. The department is also responsible for the managerial coordination of the corresponding functions of Regional Centers (RCs), according to "GMGR<sup>12</sup>" and "GMGR Evolution", and for providing decisions and Non-Binding Opinions (NBO), when specifically required, for all financial risks of the Group.

In addition, the "Group Financial Risk" department is responsible for the definition, set up and maintenance of Group methodologies and architectures for the measurement and control of financial risks and practices for Market Data Reference and Fair Value of financial instruments. The department ensures the compliance of the Financial Risk Management framework with regulatory requirements.

At the end of 2015, "Pricing Model Validation" team joined Group Risk Methodologies & Architecture as responsible for the validation of pricing models of financial instruments.

In order to effectively manage Group financial risks, the new organizational structure includes the following units/departments:

- **"Group Market & Trading Credit Risk Management"** department, responsible for governing and checking the Group's market, trading credit and collateral risks;
- **"Group Price Control"**, unit, steering and controlling, for the whole Group, the Independent Price Verification (IPV) processes and the end-of-day (EoD) market data reference set identification. Responsible for calculating and reporting specific Market Risk-related fair value adjustments and additional valuation adjustments for managerial P&L and end of month accounting purposes;
- **"Group Risk Methodologies & Architecture"** department, developing and maintaining Group methodologies and models concerning market, counterparty and balance sheet risks;
- **Financial Risk Italy** department, responsible for the independent control of liquidity, interest rate, market, counterparty, trading credit and collateral risks at Regional Center Italy level as well as for carrying out the stress tests required;
- **"Group Financial Risk Standard & Practice"** unit, responsible for Global Policies and for the financial risk reporting coherence and coordination across the Group;
- **"Group Liquidity and Interest Rate Risk Management"** unit, responsible for the independent control of liquidity risk and the balance sheet interest rate risk at Group level as well as for the internal and regulatory stress testing.

### Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book

During the last years, in compliance with Basel Committee regulations and guidelines, state-of-the-art models for market risk measurement, such as Stressed VaR and Incremental Risk Charge, have been developed for both capital charge calculation and managerial purposes.

The main tool used to measure market risk on trading positions is Value at Risk (VaR), calculated using the Historical simulation method (new IMOD).

<sup>12</sup> Group Managerial Golden Rules.

The Historical simulation method provides for the daily revaluation of positions on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving there from is analyzed to determine the effect of extreme market movements on the portfolios. The distribution value at the percentile corresponding to the fixed confidence interval represents the VaR measurement. The parameters used to calculate the VaR are as follows: 99% confidence interval; 1 day time horizon; daily update of time series; observation period of 500 days. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realized.

New IMOD is in use for risk steering purposes and starting from end of September 2013 it is used for calculating capital requirements regarding trading positions.

In addition to VaR and Basel II risk measures (Stressed VaR and Incremental Risk Charge), stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

Within the organizational context described above, the policy implemented by the UniCredit group within the scope of market risk management is aimed at the gradual adoption and use of common principles, rules and processes in terms of appetite for risk, ceiling calculations, model development, pricing and risk model scrutiny.

As for internal scenario analysis policies and procedures (i.e. "stress testing"), these procedures have been entrusted to the individual legal entities. Overall, however, a set of scenarios common to the Group as a whole, is applied to all positions in order to check on a monthly basis the potential impact that their occurrence could have on the global trading portfolio.

Shown below are the VaR data on the market risk for the trading book.

#### Daily VaR on Trading Book

(€ mln)

	12.30.2016	2016			2015
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	5.37	6.3	8.6	3.4	5.0

Shown below are the SVaR data on the market risk for the trading book.

#### SVaR on Trading Book

(€ mln)

	12.29.2016	2016			2015
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	19.13	24.25	30.78	9.47	18.59

Shown below are the IRC data on the market risk for the trading book.

#### IRC on Trading Book

(€ mln)

	12.29.2016	2016			2015
		AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	302.8	277.3	350.0	136.4	234.2

## Part E - Information on risks and hedging policies

### 2.1 Interest Rate Risk and Price Risk - Regulatory trading book

#### Qualitative information

##### A. General information

Interest rate risk arises from financial positions taken by specialist desks holding assigned market risk limits within certain levels of discretion. Apart from use of internal models in calculating capital requirements on market risks, risk positions are monitored and subject to limits assigned to the portfolios on the base of managerial responsibilities and not purely on regulatory criteria.

##### B. Management Processes and Measurement Methods of the Interest Rate Risk and Price Risk

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer also to introduction on internal models.

### 2.2 Interest Rate and Price Risk - Banking Book

#### Interest Rate Risk

#### Qualitative information

##### A. General aspects, operational processes and methods for measuring interest rate risk and price risk

The main target of IRRBB strategy is the reduction of net interest income volatility in a multiyear horizon.

Interest rate risk consists of changes in interest rates that are reflected in:

- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group measures and monitors this risk within the framework of a Banking Book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Group's economic value. Interest rate risk has an impact on all owned positions resulting from business operations and strategic investment decisions (Banking Book).

At December 30, 2016, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€331 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€296 million at December 30, 2016<sup>13</sup>.

The main sources of interest rate risk can be classified as follows:

- Repricing risk: risk resulting from differences in interest reset date of assets and liabilities. Mismatches in interest reset dates lead to yield curve risk. This refers to the risk resulting from exposure of the bank's positions to changes in the slope and shape of the yield curve. Basis risk resulting from the imperfect correlation in lending and borrowing interest rate changes for different instruments;
- Optional risk: risk resulting from implicit or explicit options in the Group's Banking Book positions. Embedded options in the bank's mortgage portfolio are a relevant example.

Limits and threshold are defined in terms Sensitivity.

Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shocks for a rate rise and a rate fall scenario are an instantaneous and parallel shock of respectively +/- 100 bps Additional scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift.

<sup>13</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

The interest rate risk is monitored in terms of Economic value sensitivity for an instantaneous and parallel shock of +1 basis point value of the interest rate term structure. On a monthly basis the Economic Value sensitivity for interest rate term structure shock of +200 basis point value and Net Interest Income Sensitivity are measured. The function responsible for interest rate risk management verifies on a daily basis the limit usage of the interest rate risk of relevant positions.

The Treasury hedges interest rate risk exposure from commercial transactions. The Treasury interest rate risk exposure is monitored through a set of limits and threshold levels. The same holds for the overall interest rate exposure of the balance sheet, taking into account also the strategic investment positions of the bank, e.g. transactions not directly related to hedging the commercial business.

#### *B. Fair value hedging operations*

Hedging strategies aimed at complying with interest rate risk limits for the banking portfolio are carried out with listed or unlisted derivative contracts, and the latter, which are commonly interest rate swaps, are the type of contracts used the most.

Macro-hedging is generally used, meaning hedges related to the amounts of cash contained in asset or liability portfolios. Under certain circumstances, the impact of micro-hedges related to securities issued or individual financial assets are recognized (especially when they are classified in the available-for-sale portfolio).

#### *C. Cash flow hedging operations*

In certain instances, cash flow hedging strategies are also used as an alternative to fair value hedging strategies in order to stabilize income statement profits in the current and future years. Macro-hedging strategies are mainly used and they may also refer to the interest rate risk of the core portion of financial assets "on demand".

## Part E - Information on risks and hedging policies

## Quantitative information

## 1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2016							UNSPECIFIED MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>56,933,731</b>	<b>121,160,326</b>	<b>21,710,178</b>	<b>19,777,398</b>	<b>59,717,847</b>	<b>13,093,650</b>	<b>7,712,239</b>	-
1.1 Debt securities	812,464	7,075,166	5,526,303	9,684,991	37,417,751	4,831,956	707,991	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	812,464	7,075,166	5,526,303	9,684,991	37,417,751	4,831,956	707,991	-
1.2 Loans to banks	2,935,524	16,996,370	661,394	174,637	1,170,804	30,000	-	-
1.3 Loans to customers	53,185,743	97,088,790	15,522,481	9,917,770	21,129,292	8,231,694	7,004,248	-
- Current accounts	17,483,498	1,827	1,195	1,211,575	552,954	87,185	25,542	-
- Other loans	35,702,245	97,086,963	15,521,286	8,706,195	20,576,338	8,144,509	6,978,706	-
- With prepayment option	24,662,682	42,552,350	10,855,100	2,795,500	14,721,081	6,410,399	6,135,788	-
- Other	11,039,563	54,534,613	4,666,186	5,910,695	5,855,257	1,734,110	842,918	-
<b>2. On-balance sheet liabilities</b>	<b>155,907,768</b>	<b>94,433,128</b>	<b>11,611,004</b>	<b>11,026,785</b>	<b>35,785,085</b>	<b>13,273,765</b>	<b>3,455,629</b>	-
2.1 Deposits from customers	149,620,915	38,644,975	2,933,955	885,594	1,094,273	236,904	2,459,867	-
- Current accounts	144,468,606	190,419	-	26	-	-	-	-
- Other	5,152,309	38,454,556	2,933,955	885,568	1,094,273	236,904	2,459,867	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	5,152,309	38,454,556	2,933,955	885,568	1,094,273	236,904	2,459,867	-
2.2 Deposits from banks	6,094,958	15,172,059	2,938,031	1,119,061	19,014,961	27,619	13,819	-
- Current accounts	1,198,339	-	-	-	-	-	-	-
- Other	4,896,619	15,172,059	2,938,031	1,119,061	19,014,961	27,619	13,819	-
2.3 Debt securities in issue	185,424	40,616,094	5,739,018	9,022,130	15,675,851	13,009,242	981,943	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	185,424	40,616,094	5,739,018	9,022,130	15,675,851	13,009,242	981,943	-
2.4 Other liabilities	6,471	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	6,471	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 Physically settled financial								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Cash settled financial derivatives								
- Option								
+ Long positions	-	18,918	370,528	19,134	169,798	972,395	89,122	-
+ Short positions	-	9,459	386,114	19,134	170,113	884,929	93,684	-
- Other derivatives								
+ Long positions	3,330,453	166,028,319	35,430,307	51,651,168	147,045,793	38,236,526	2,386,041	-
+ Short positions	3,968,828	183,700,102	48,587,398	46,380,373	139,103,482	16,298,034	5,249,953	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	62,807	15,805,699	1,381,265	529,500	288,270	78	31,599	-
+ Short positions	4,254,340	12,068,349	1,776,530	-	-	-	-	-

## 1.1 Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2016							UNSPECIFIED MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>54,767,273</b>	<b>114,675,224</b>	<b>20,582,140</b>	<b>19,514,550</b>	<b>59,022,976</b>	<b>12,875,705</b>	<b>7,658,987</b>	-
1.1 Debt securities	806,577	7,013,974	5,507,083	9,684,990	37,080,581	4,702,147	698,489	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	806,577	7,013,974	5,507,083	9,684,990	37,080,581	4,702,147	698,489	-
1.2 Loans to banks	1,341,602	15,198,878	611,167	36,153	1,089,156	30,000	-	-
1.3 Loans to customers	52,619,094	92,462,372	14,463,890	9,793,407	20,853,239	8,143,558	6,960,498	-
- Current accounts	17,255,393	1,827	1,195	1,211,575	552,954	87,185	25,542	-
- Other loans	35,363,701	92,460,545	14,462,695	8,581,832	20,300,285	8,056,373	6,934,956	-
- With prepayment option	24,651,232	42,538,398	10,852,953	2,793,326	14,682,461	6,392,745	6,135,788	-
- Other	10,712,469	49,922,147	3,609,742	5,788,506	5,617,824	1,663,628	799,168	-
<b>2. On-balance sheet liabilities</b>	<b>150,767,147</b>	<b>90,830,781</b>	<b>10,279,814</b>	<b>10,116,185</b>	<b>35,731,051</b>	<b>12,480,653</b>	<b>3,455,629</b>	-
2.1 Deposits from customers	146,868,860	38,264,615	2,933,557	885,561	1,094,273	236,904	2,459,867	-
- Current accounts	142,158,608	-	-	-	-	-	-	-
- Other	4,710,252	38,264,615	2,933,557	885,561	1,094,273	236,904	2,459,867	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	4,710,252	38,264,615	2,933,557	885,561	1,094,273	236,904	2,459,867	-
2.2 Deposits from banks	3,706,418	12,656,619	2,680,703	245,755	18,960,927	21,228	13,819	-
- Current accounts	871,939	-	-	-	-	-	-	-
- Other	2,834,479	12,656,619	2,680,703	245,755	18,960,927	21,228	13,819	-
2.3 Debt securities in issue	185,398	39,909,547	4,665,554	8,984,869	15,675,851	12,222,521	981,943	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	185,398	39,909,547	4,665,554	8,984,869	15,675,851	12,222,521	981,943	-
2.4 Other liabilities	6,471	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	6,471	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 Physically settled financial								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Cash settled financial derivatives								
- Option								
+ Long positions	-	18,918	370,528	19,134	169,798	253,636	89,122	-
+ Short positions	-	9,459	17,521	19,134	170,113	884,929	93,684	-
- Other derivatives								
+ Long positions	3,235,585	160,774,815	35,009,201	50,602,962	144,184,206	37,278,271	2,386,041	-
+ Short positions	3,779,093	177,748,084	46,147,726	46,139,969	138,016,166	14,985,066	5,249,953	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	62,807	15,760,860	1,329,718	501,293	288,270	78	-	-
+ Short positions	4,254,340	11,912,156	1,776,530	-	-	-	-	-

## Part E - Information on risks and hedging policies

## 1.2 Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2016							UNSPECIFIED MATURITY
	ON DEMAND	UP TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	
<b>1. On-balance sheet assets</b>	<b>2,166,458</b>	<b>6,485,102</b>	<b>1,128,038</b>	<b>262,848</b>	<b>694,871</b>	<b>217,945</b>	<b>53,252</b>	-
1.1 Debt securities	5,887	61,192	19,220	1	337,170	129,809	9,502	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	5,887	61,192	19,220	1	337,170	129,809	9,502	-
1.2 Loans to banks	1,593,922	1,797,492	50,227	138,484	81,648	-	-	-
1.3 Loans to customers	566,649	4,626,418	1,058,591	124,363	276,053	88,136	43,750	-
- Current accounts	228,105	-	-	-	-	-	-	-
- Other loans	338,544	4,626,418	1,058,591	124,363	276,053	88,136	43,750	-
- With prepayment option	11,450	13,952	2,147	2,174	38,620	17,654	-	-
- Other	327,094	4,612,466	1,056,444	122,189	237,433	70,482	43,750	-
<b>2. On-balance sheet liabilities</b>	<b>5,140,621</b>	<b>3,602,347</b>	<b>1,331,190</b>	<b>910,600</b>	<b>54,034</b>	<b>793,112</b>	-	-
2.1 Deposits from customers	2,752,055	380,360	398	33	-	-	-	-
- Current accounts	2,309,998	190,419	-	26	-	-	-	-
- Other	442,057	189,941	398	7	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	442,057	189,941	398	7	-	-	-	-
2.2 Deposits from banks	2,388,540	2,515,440	257,328	873,306	54,034	6,391	-	-
- Current accounts	326,400	-	-	-	-	-	-	-
- Other	2,062,140	2,515,440	257,328	873,306	54,034	6,391	-	-
2.3 Debt securities in issue	26	706,547	1,073,464	37,261	-	786,721	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	26	706,547	1,073,464	37,261	-	786,721	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 Physically settled financial derivatives								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Cash settled financial derivatives								
- Option								
+ Long positions	-	-	-	-	-	718,759	-	-
+ Short positions	-	-	368,593	-	-	-	-	-
- Other derivatives								
+ Long positions	94,868	5,253,504	421,106	1,048,206	2,861,587	958,255	-	-
+ Short positions	189,735	5,952,018	2,439,672	240,404	1,087,316	1,312,968	-	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	-	44,839	51,547	28,207	-	-	31,599	-
+ Short positions	-	156,193	-	-	-	-	-	-



## Price Risk

### Qualitative information

#### A. General Aspects, Price Risk Management Processes And Measurement Methods

Banking Book price risk primarily originates from equity interests held by UniCredit S.p.A. as a stable investment, as well as units in mutual investment funds not included in the trading book in so far as they are also held as a stable investment.

In the whole aggregated banking and trading book portfolio assessment of UniCredit S.p.A. this kind of risk is also considered.

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer to introduction on internal models.

## 2.3 Exchange Rate Risk

### Qualitative information

#### A. General Aspects, Exchange Rate Risk Management Processes and Measurement Methods

Exchange risk originates from currency trading activities, for both trading and banking book, performed through the negotiation of the various market instruments is constantly monitored and measured by using internal models developed by group companies.

#### B. Hedging Exchange Rate Risk

UniCredit S.p.A. performs hedge strategies for profits and dividends arising from its subsidiaries not belonging to the Euro zone. The hedging strategies takes into account market circumstances.

### Quantitative information

#### 1. Distribution by currency of assets and liabilities and derivatives

(€ '000)

ITEMS	AMOUNTS AS AT 12.31.2016					
	CURRENCIES					
	USD	GBP	YEN	CHF	CAD	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>9,205,649</b>	<b>244,587</b>	<b>21,613</b>	<b>80,975</b>	<b>151,513</b>	<b>1,760,616</b>
A.1 Debt securities	563,225	39	-	-	-	-
A.2 Equity securities	450,851	-	-	3,219	-	-
A.3 Loans to banks	2,807,805	11,084	3,998	7,968	6,890	824,151
A.4 Loans to customers	5,383,768	233,464	17,615	69,788	144,623	936,465
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>453,123</b>	<b>100,755</b>	<b>2,510</b>	<b>4,526</b>	<b>1,690</b>	<b>25,352</b>
<b>C. Financial liabilities</b>	<b>8,900,927</b>	<b>590,185</b>	<b>88,566</b>	<b>119,669</b>	<b>423,539</b>	<b>1,709,096</b>
C.1 Deposits from banks	4,310,924	372,129	18,504	72,138	22,547	1,298,878
C.2 Deposits from customers	2,578,753	206,403	13,168	47,531	83,194	203,796
C.3 Debt securities in issue	2,011,250	11,653	56,894	-	317,798	206,422
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>23,598</b>	<b>7,501</b>	<b>4</b>	<b>6</b>	<b>49</b>	<b>3,115</b>
<b>E. Financial derivatives</b>						
- Options						
- Long positions	1,040,331	1,425	71	-	421	12,326
- Short positions	690,165	1,425	71	-	421	12,326
- Other						
- Long positions	29,982,991	4,007,068	176,000	2,071,759	572,945	3,553,216
- Short positions	31,020,651	3,799,698	120,284	2,046,744	303,754	6,041,764
<b>Total assets</b>	<b>40,682,094</b>	<b>4,353,835</b>	<b>200,194</b>	<b>2,157,260</b>	<b>726,569</b>	<b>5,351,510</b>
<b>Total liabilities</b>	<b>40,635,341</b>	<b>4,398,809</b>	<b>208,925</b>	<b>2,166,419</b>	<b>727,763</b>	<b>7,766,301</b>
<b>Difference (+/-)</b>	<b>46,753</b>	<b>(44,974)</b>	<b>(8,731)</b>	<b>(9,159)</b>	<b>(1,194)</b>	<b>(2,414,791)</b>

## Part E - Information on risks and hedging policies

### **Credit Spread Risk**

#### *Qualitative information*

##### *A. General information*

As described above, risk relating to credit spreads included in both trading book and banking book, originates from positions taken by UniCredit S.p.A. holding assigned market risk limits within certain levels of discretion.

##### *B. Risk Management Processes and Measurement Methods*

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer to introduction on internal models.

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp in the credit spread curves.

These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

##### *Stress testing*

Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

What follows contains the description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors. For the description of simple scenarios, please refer to the previous paragraphs. As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading Book on a monthly basis and reported to top management.

### **Widespread Contagion**

In this scenario, we assume an intensification of political risks across the EU, with more extensive policy influence of protest parties in France and Germany ahead of next year's elections, and renewed political issues in Greece – where debt relief talks remain elusive – and Portugal. In Italy the proposed constitutional amendments are rejected in the referendum and this leads to higher uncertainty, which could trigger a deterioration in financial conditions, a loss of confidence of corporate and households and a worsening in economic growth.

The downturn in the UK, which is already suffering from a surge in uncertainty following the UK vote to leave the EU, would be exacerbated by an intensification of political risks in the rest of the EU. Uncertainty will weigh on UK business investment, trade and capital flows, with knock-on effects on consumer confidence. It could also prolong negotiations over the UK's exit status from the EU.

Poor economic performance could allow populist parties to further increase their influence, calling into question the European integration project.

France and, to a lesser extent, Germany, suffer from a populist drift that negatively influences policies of current governments, and meaningfully raise uncertainty in the run-up to the 2017 general elections.

Greece and Portugal see an intensification of political instability which, however, does not ultimately lead to conditions that force the ECB to stop its bank liquidity support and, in the case of Portugal, to discontinue the QE program.

In GDP space, Italy and Spain are most impacted. France follows suit, due to the rising threat of the FN, while Germany is the least affected. At the eurozone level, GDP growth is seen slowing to 0.2% in 2016 and contracting 0.6% in 2017, with a cumulative loss vs. baseline of 3pp.

Inflation in the eurozone would remain very low in 2016 and 2017, reflecting a wider output gap and lower oil prices, while the weaker euro is expected to partially offset some of these drags. The unemployment rate would resume rising, putting further downward pressure on nominal wage growth from the current weak levels.

The ECB would cut the deposit rate, now de facto the true policy rate, by 10bp, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears very likely at a time of meaningful deviation from the price stability target.

Brexit, along with an escalation of political risks in the EU, would significantly weigh on business investment and consumer confidence in the UK. Economic activity slows and outright contracts in 2017. The opening up of a sizable output gap and the fall in sterling import prices (with lower USD oil prices more than offsetting sterling depreciation) means inflation stays subdued for longer. The rise in unemployment and the fall in inflation moderates wage growth. Capital outflows force a rapid adjustment of the UK's large current account deficit. The response of the monetary and fiscal authorities is to ease policy, with the BoE cutting Bank Rate to zero in an attempt to offset a tightening of financial conditions.

The US economy should be less affected than EU. The reason is that most of the growth in the US comes from domestic demand, notably consumer spending, therefore direct and indirect trade linkages with Europe are not going to be a huge drag, even when accounting for the spillover on US investment activity. The main transmission channel of the shock is lower stock prices, which directly affect US household finances and balance sheets. Although not particularly severe for the US economy, the shock will dissuade the Fed from any further rate hikes over the coming two years.

### **China hard landing**

In this risk scenario, we assume a significant deceleration that pushes Chinese growth from 7% to 3% by the end of 2017, driven by a weakening of domestic demand, especially fixed investment. The main transmission channels are trade and, especially, financial markets – the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia.

The drag on eurozone GDP via the trade channel is supposed to account for a relatively small share of the total growth shock, as most of the hit comes from the financial and confidence channels. In general, we assume the overall drag to reflect the weight of China as an export destination, with China accounting for 3-4% of total eurozone exports (i.e. intra + extra EMU exports). Among the main euro area countries, Germany has by far the largest exposure to China (about 6% of total exports), followed by France (about 4%), Italy (about 2.5%) and Spain (less than 2.0%). As a consequence, Germany is expected to be the most damaged country in this risk scenario, while Spain is likely to be the least impacted. Austria has a small direct trade exposure to China, but very large exposure to Germany. In our estimates, this implies a growth shock that exceeds that for the eurozone.

In this risk scenario, eurozone growth is assumed to slide in negative territory already in 2016 (-0.3%), with the pace of contraction seen deepening further in 2017 (-1.1%). The cumulative GDP loss vs. baseline would be 4pp. Germany would experience a GDP contraction of 1.1% in 2016 and 2.6% in 2017. The negative impact of trade and financial shocks on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labor income), while in the other eurozone countries, where room for maneuver on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabilizers, like an increase in unemployment benefits. Lower oil prices work as automatic stabilizer, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the eurozone will likely be lower compared to “widespread contagion” reflecting a larger decline in oil prices and increasing economic slack.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 20bp, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shocks, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears very likely at a time of meaningful deviation from the price stability target.

With regard to the UK economy, the trade exposure to China is small, but the adverse impact via the shock to global confidence and capital flows is much higher. The UK economy enters a quite deep recession in 2017. The steep fall in oil prices and other global commodity prices results in a lower path for UK inflation. Unemployment rises as the economy slows. The BoE cuts the Bank Rate to zero in response and increases its stock of asset purchases.

The US economy should be less affected than the eurozone, due to its stronger reliance on domestic demand. However, in this scenario of a more global shock, weaker global growth is expected to materially slow the US recovery (GDP at 0.6% in 2016 and 0.5% in 2017) through weaker exports and a cutback in investment activity, which eventually will weigh on the labor market and thus on consumer spending as well. The Federal Reserve will be very sensitive to the impacts of this adverse shock and is expected to bring the target rate back down to the 0%-0.25% range.

## Part E - Information on risks and hedging policies

### Interest Rate Shock

In this risk scenario, we assume that interest rates (IR) in the eurozone move sharply higher, by 250bp at the short end (refi rate) and by 300bp at the long end (10Y). Importantly, this IR increase is assumed to be totally exogenous, i.e. not driven by macro fundamentals like faster growth or inflation, therefore this scenario should mainly be seen as a purely technical exercise. We also assume that the IR increase is totally passed on to households and firms, meaning that there is no ECB facility that is capable to stop the full pass-through to the real economy. In the second year of the forecast horizon, IR start responding endogenously to macro developments and we assume that the ECB eases monetary policy to counter the material deterioration in the growth and inflation outlook triggered by the IR jump. We assume that half of the refi rate increase is reversed in 2017 – the refi rate falls to 1.25% at the end of 2017.

The sharp rise in IR along with its pass-through is highly damaging for growth in the eurozone (GDP: -0.7% in 2016, -1.7% in 2017), with a 5pp cumulative loss vs. baseline. Within the eurozone, Italy and Spain are hit comparatively more: the former because of still weak profitability of the corporate sector and high public debt, the latter due to the still high leverage of the private sector. The growth damage is smaller in Germany, where leverage (both private and public) is relatively low. The recession causes a clear deterioration of the labor market, with the eurozone unemployment rate seen reaching an average of 12% in 2017.

The eurozone witnesses outright negative growth in consumer prices in both years, due to the mix of falling oil prices and widening output gap.

The substantial tightening of financial conditions in the euro area is transmitted to the UK economy via the significant trade and capital flows between the two economic areas. The UK enters a quite deep recession in 2017, exacerbated by high household and public debt. Inflation stays close to zero through 2017 as a result of the fall in oil prices and growing spare capacity. The external nature of the shock hits exports. Nonetheless, the current account deficit improves slightly faster than in the baseline scenario as capital markets force a more pronounced adjustment. The BoE cuts the Bank Rate to zero and increases its stock of asset purchases.

The US economy should remain relatively less affected than the eurozone also in this scenario. As consumer spending is expected to remain the main growth driver, the main transmission channels of this shock are higher interest rates and lower stock prices, which directly affect household finances and balance sheets. In particular, this shock with its sizeable negative impact on the stock market should have the largest effect on economic activity in the US, with GDP recording the largest cumulative deviation from the baseline. The Federal Reserve is expected to lower the target rate back to the 0%-0.25% range. In addition, quantitative easing is expected to remain the preferred policy option of the Fed at the zero lower bound and we see it as likely that the Fed would initiate QE4 to lower yields and stimulate the stock market.

### Stress Test on trading book

December 29, 2016

#### Scenario

(€ million)

	2016		
	WIDESPREAD CONTAGION	CHINA HARD LANDING	IR SHOCK
UniCredit S.p.A.	-80	-80	-68

## 2.4 Derivative instruments

### A. Financial derivatives

#### A.1 Regulatory trading book: end of period notional amounts

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>1. Debt securities and interest rate indexes</b>	<b>207,392,027</b>	<b>1,873,395</b>	<b>205,117,188</b>	<b>4,065,784</b>
a) Options	6,079,914	100,000	5,351,341	-
b) Swap	199,179,363	-	197,696,932	-
c) Forward	2,132,750	885,595	2,068,915	720,284
d) Futures	-	887,800	-	3,345,500
e) Others	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	<b>962,430</b>	<b>-</b>	<b>1,752,132</b>	<b>-</b>
a) Options	962,430	-	1,752,125	-
b) Swap	-	-	-	-
c) Forward	-	-	7	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Gold and currencies</b>	<b>71,071,600</b>	<b>-</b>	<b>66,687,400</b>	<b>-</b>
a) Options	8,417,821	-	1,560,557	-
b) Swap	13,514,268	-	3,721,214	-
c) Forward	49,139,511	-	61,405,629	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Commodities</b>	<b>3,191,254</b>	<b>-</b>	<b>3,366,853</b>	<b>-</b>
<b>5. Other underlyings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>282,617,311</b>	<b>1,873,395</b>	<b>276,923,573</b>	<b>4,065,784</b>

Amounts reported in column "Over the counter" of tables A.1, A.2.1, A.2.2, A.3 and A.4 include OTC traded contracts settled with Central Clearing Counterparts.

Column "Clearing House" of tables A.1, A.2.1, A.2.2, A.3 and A.4 includes those contracts negotiated within listed markets and supported by margining processes overriding counterparty risk exposure.

## Part E - Information on risks and hedging policies

## A.2 Banking portfolio: end of period notional amounts

## A.2.1 Hedging derivatives

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>1. Debt securities and interest rate indexes</b>	<b>383,516,948</b>	<b>-</b>	<b>337,064,020</b>	<b>520,000</b>
a) Options	4,776,511	-	4,984,586	-
b) Swap	296,840,437	-	332,079,434	520,000
c) Forward	-	-	-	-
d) Futures	81,900,000	-	-	-
e) Others	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	<b>13,000</b>	<b>-</b>	<b>13,000</b>	<b>-</b>
a) Options	13,000	-	13,000	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Gold and currencies</b>	<b>5,984,885</b>	<b>-</b>	<b>4,091,921</b>	<b>-</b>
a) Options	708,678	-	-	-
b) Swap	2,228,584	-	2,712,102	-
c) Forward	3,047,623	-	1,379,819	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Commodities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5. Other underlyings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>389,514,833</b>	<b>-</b>	<b>341,168,941</b>	<b>520,000</b>

## A.2.2 Other derivatives

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>1. Debt securities and interest rate indexes</b>	<b>56,473,792</b>	<b>-</b>	<b>25,185,023</b>	<b>3,600,000</b>
a) Options	20,000	-	20,000	-
b) Swap	56,453,792	-	25,165,023	3,600,000
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>2. Equity instruments and stock indexes</b>	<b>11,791,830</b>	<b>-</b>	<b>2,396,086</b>	<b>-</b>
a) Options	11,791,830	-	2,396,086	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Gold and currencies</b>	<b>2,450,356</b>	<b>-</b>	<b>917,347</b>	<b>-</b>
a) Options	2,047,612	-	-	-
b) Swap	-	-	-	-
c) Forward	402,744	-	917,347	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Commodities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5. Other underlyings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>70,715,978</b>	<b>-</b>	<b>28,498,456</b>	<b>3,600,000</b>

### A.3 Financial derivatives: gross positive fair value - breakdown by product

(€ '000)

TRANSACTION TYPES/UNDERLYINGS	POSITIVE FAIR VALUE			
	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>A. Regulatory trading book</b>	<b>7,359,289</b>	<b>624</b>	<b>6,832,743</b>	<b>835</b>
a) Options	244,916	-	112,604	-
b) Interest rate swaps	4,815,406	-	5,230,364	-
c) Cross currency swap	1,193,670	-	356,024	-
d) Equity swaps	-	-	-	-
e) Forward	873,008	297	723,825	233
f) Futures	-	327	-	602
g) Others	232,289	-	409,926	-
<b>B. Banking book - Hedging derivatives</b>	<b>6,095,110</b>	<b>-</b>	<b>6,404,679</b>	<b>-</b>
a) Options	3,612	-	177	-
b) Interest rate swaps	5,971,887	-	6,361,014	-
c) Cross currency swap	108,460	-	24,860	-
d) Equity swaps	-	-	-	-
e) Forward	8,094	-	18,628	-
f) Futures	3,057	-	-	-
g) Others	-	-	-	-
<b>C. Banking book - other derivatives</b>	<b>446,025</b>	<b>-</b>	<b>283,236</b>	<b>891</b>
a) Options	294,176	-	74,610	-
b) Interest rate swaps	147,722	-	203,784	891
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	4,127	-	4,842	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>Total</b>	<b>13,900,424</b>	<b>624</b>	<b>13,520,658</b>	<b>1,726</b>

### A.4 Financial derivatives: gross negative fair value - breakdown by product

(€ '000)

PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES	NEGATIVE FAIR VALUE			
	AMOUNTS AS AT 12.31.2016		AMOUNTS AS AT 12.31.2015	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>A. Regulatory trading book</b>	<b>7,525,847</b>	<b>2,563</b>	<b>6,810,255</b>	<b>1,892</b>
a) Options	248,059	10	117,677	-
b) Interest rate swaps	4,880,299	-	5,352,135	-
c) Cross currency swap	1,193,768	-	345,827	-
d) Equity swaps	-	-	-	-
e) Forward	959,934	66	583,762	131
f) Futures	-	2,487	-	1,761
g) Others	243,787	-	410,854	-
<b>B. Banking book - Hedging derivatives</b>	<b>6,126,874</b>	<b>-</b>	<b>6,554,326</b>	<b>75,293</b>
a) Options	19,017	-	37,002	-
b) Interest rate swaps	5,937,933	-	6,084,237	75,293
c) Cross currency swap	118,206	-	427,459	-
d) Equity swaps	-	-	-	-
e) Forward	39,936	-	5,628	-
f) Futures	11,782	-	-	-
g) Others	-	-	-	-
<b>C. Banking book - Other derivatives</b>	<b>495,960</b>	<b>-</b>	<b>315,028</b>	<b>96</b>
a) Options	145,655	-	75,107	-
b) Interest rate swaps	348,610	-	236,100	96
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	1,695	-	3,821	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>Total</b>	<b>14,148,681</b>	<b>2,563</b>	<b>13,679,609</b>	<b>77,281</b>

## Part E - Information on risks and hedging policies

**A.5 OTC Financial derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement**

(€ '000)

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2016						OTHER ENTITIES
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	
<b>1) Debt securities and interest rate indexes</b>							
- notional amount	1,484,611	889,424	762,251	1,505,847	-	16,142,638	47,695
- positive fair value	187	73,438	24,051	23,989	-	583,541	298
- negative fair value	775	2,518	38	1,572	-	21,784	3
- future exposure	-	7,592	5,756	6,932	-	101,305	62
<b>2) Equity instruments and stock indexes</b>							
- notional amount	-	-	25	4,776	-	3,529	438,027
- positive fair value	-	-	8	8	-	6	716
- negative fair value	-	-	-	-	-	-	3,858
- future exposure	-	-	1	-	-	-	18
<b>3) Gold and currencies</b>							
- notional amount	-	-	240,898	127,027	-	5,251,255	1,725,317
- positive fair value	-	-	4,440	291	-	124,506	280
- negative fair value	-	-	175	13,487	-	175,894	43
- future exposure	-	-	1,955	3,770	-	86,654	8,463
<b>4) Other instruments</b>							
- notional amount	-	-	-	-	-	459,988	-
- positive fair value	-	-	-	-	-	17,845	-
- negative fair value	-	-	-	-	-	39,033	2
- future exposure	-	-	-	-	-	49,647	-

**A.6 OTC Financial derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreement**

(€ '000)

CONTRACTS INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2016						OTHER ENTITIES
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	
<b>1) Debt securities and interest rate</b>							
- notional amount	39,784	-	119,848,224	57,095,854	-	9,575,697	-
- positive fair value	1,240	-	1,823,516	1,830,778	-	521,221	-
- negative fair value	253	-	2,703,324	1,818,338	-	402,160	-
<b>2) Equity instruments and stock</b>							
- notional amount	-	-	516,074	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	722	-	-	-	-
<b>3) Gold and currencies</b>							
- notional amount	-	-	56,638,370	1,868,660	-	5,220,075	-
- positive fair value	-	-	1,708,449	19,436	-	395,747	-
- negative fair value	-	-	1,679,308	236,808	-	229,925	-
<b>4) Other instruments</b>							
- notional amount	-	-	1,595,627	101,085	-	1,034,554	-
- positive fair value	-	-	125,568	985	-	78,744	-
- negative fair value	-	-	110,132	6,384	-	79,312	-



**A.7 OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement**

(€'000)

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2016						
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Debt securities and interest rate</b>							
- notional amount	-	-	103,998,494	258,498	-	-	10,000
- positive fair value	-	-	84,832	-	-	-	-
- negative fair value	-	-	16,429	828	-	-	-
- future exposure	-	-	12,632	523	-	-	-
<b>2) Equity instruments and stock</b>							
- notional amount	-	-	200,000	-	-	-	294,295
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	3,033	-	-	-	58,329
- future exposure	-	-	-	-	-	-	-
<b>3) Gold and currencies</b>							
- notional amount	-	-	570,793	-	-	3,131	-
- positive fair value	-	-	12,106	-	-	114	-
- negative fair value	-	-	1,694	-	-	1	-
- future exposure	-	-	5,708	-	-	31	-
<b>4) Other instruments</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

**A.8 OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements**

(€'000)

CONTRACTS INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2016						
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Debt securities and interest rate</b>							
- notional amount	-	-	311,805,529	23,918,219	-	-	-
- positive fair value	-	-	6,007,154	30,742	-	-	-
- negative fair value	-	-	6,019,026	264,128	-	-	-
<b>2) Equity instruments and stock</b>							
- notional amount	-	-	11,310,536	-	-	-	-
- positive fair value	-	-	214,315	-	-	-	-
- negative fair value	-	-	376	-	-	-	-
<b>3) Gold and currencies</b>							
- notional amount	-	-	7,806,588	54,730	-	-	-
- positive fair value	-	-	191,566	305	-	-	-
- negative fair value	-	-	257,768	1,224	-	-	-
<b>4) Other instruments</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## A.9 OTC financial derivatives residual maturity: notional amounts

(€ '000)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEAR	OVER 5 YEARS	TOTAL
<b>A. Regulatory trading book</b>	<b>85,758,559</b>	<b>121,399,205</b>	<b>75,459,548</b>	<b>282,617,312</b>
A.1 Financial derivative contracts on debt securities and interest	28,435,201	108,901,044	70,055,782	207,392,027
A.2 Financial derivative contracts on equity securities and stock	58,813	12	903,605	962,430
A.3 Financial derivative contracts on exchange rates and gold	54,591,813	11,979,627	4,500,161	71,071,601
A.4 Financial derivative contracts on other values	2,672,732	518,522	-	3,191,254
<b>B. Banking book</b>	<b>180,659,325</b>	<b>207,579,926</b>	<b>71,991,560</b>	<b>460,230,811</b>
B.1 Financial derivative contracts on debt securities and interest	173,740,959	200,146,599	66,103,181	439,990,739
B.2 Financial derivative contracts on equity securities and stock	2,277,000	6,779,087	2,748,743	11,804,830
B.3 Financial derivative contracts on exchange rates and gold	4,641,366	654,240	3,139,636	8,435,242
B.4 Financial derivative contracts on other values	-	-	-	-
<b>Total 12.31.2016</b>	<b>266,417,884</b>	<b>328,979,131</b>	<b>147,451,108</b>	<b>742,848,123</b>
<b>Total 12.31.2015</b>	<b>259,185,504</b>	<b>242,078,178</b>	<b>145,327,286</b>	<b>646,590,968</b>

## B. Credit derivatives

No data to be disclosed.

## C. Financial and credit derivatives

## C.1 OTC Financial and credit derivatives: net fair values and future exposure by counterparty

(€ '000)

	AMOUNTS AS AT 12.31.2016						
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Netting agreements related to Financial Derivatives</b>							
- positive fair value	987	-	78,176	45,548	-	616,882	-
- negative fair value	-	-	778,266	490,184	-	332,567	-
- future exposure	349	-	1,733,397	115,290	-	212,534	-
- net counterparty risk	1,336	-	1,801,282	144,522	-	828,977	-
<b>2) Netting agreements related to</b>							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
<b>3) Cross Product netting</b>							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

## Section 3 - Liquidity risk

### Qualitative information

Liquidity risk is defined as the risk that the Bank may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery) current and future without jeopardizing its day-to-day operations or its financial condition.

### *The key principles*

#### *The Liquidity Reference Banks*

UniCredit S.p.A. aims to maintain liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.

To this end, UniCredit S.p.A. complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

UniCredit S.p.A. is organized on a managerial perspective, according to the concept of the Liquidity Reference Bank.

The Liquidity Reference Banks are Legal Entities that act in their responsibility as liquidity hub. They are in charge:

- of the liquidity management and concentration process of liquidity flows of the Legal Entities falling within their perimeter of responsibility;
- of the funding optimization carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium long term markets of the legal entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

### *Roles and responsibilities*

At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the "Finance" function, the "Group Planning, Finance, Shareholding And Investor Relations" function, and the "Treasury" function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance, Planning & Capital Management and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d'Italia).

More specifically, Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group's Legal Entities, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group Planning, Finance, Shareholding And Investor Relations competence line is responsible for the coordination of the overall financial planning process at Group, Liquidity Reference Banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group's funding strategy (including securitization operations), coordinating the access to national and international capital markets for all the Liquidity Reference Banks and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources.

Optimization of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual Liquidity Reference Banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the UniCredit S.p.A. Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework. Moreover, the regional rules must conform to national law and regulatory requirements.

## Part E - Information on risks and hedging policies

### **Risk measurement and reporting systems**

#### *Techniques for risk measurement*

The different types of liquidity risk managed by the bank are:

- Short Term Liquidity Risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year).
- Market Liquidity Risk is the risk that the bank may face a considerable (and unfavorable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions.
- Intraday Liquidity Risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions".
- Structural Liquidity Risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution.
- contingency risk, or stress liquidity is related to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business.
- Intragroup liquidity risk, that might generate from an excessive exposure or dependency towards / from specific Group counterparts;
- Funding Concentration Risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems.
- Foreign exchange (FX) liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (FX refinancing risk) or related with the maturity distribution of the assets and liabilities in FX (FX structural mismatch risk).

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators: e.g. loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1Y maturity onwards.

#### *UniCredit S.p.A.'s liquidity framework*

UniCredit S.p.A.'s liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterized by the following fundamental principles:

- Short-term liquidity risk management (operational liquidity), which considers the events that will impact upon UniCredit S.p.A.'s liquidity position from 1 day up to one year. The primary objective is to maintain UniCredit S.p.A.'s capacity to fulfill its ordinary and extraordinary payment obligations while minimizing the relevant costs.
- Structural liquidity risk management (structural risk), which considers the events that will impact upon UniCredit S.p.A.'s liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding.
- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination thereof.

Moreover, the liquidity risk is included in the Group's Risk Appetite framework through some specific liquidity indicators. One of these is the Funding Gap (an improved loans-to-deposits gap), which is calculated on a quarterly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities.

#### *Short-term liquidity management*

Short-term liquidity management aims at ensuring that UniCredit S.p.A. remains in a position to fulfill its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilization (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the Liquidity Reference Banks.

The Operative Maturity Ladder is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.

The Operational Maturity Ladder, calculated for all the relevant currencies, is composed of the following building-blocks:

- Primary Gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- Counterbalancing Capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The Counterbalancing Capacity is considered at its "Liquidity Value" (i.e. the Market Value minus the applicable Haircut).
- Cumulative Gap, which is the sum of the previous components;
- Reservation for Unexpected Flows, which consists of liquidity adjustment to the Operative Maturity Ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The Reservation for Unexpected Flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the Counterbalancing Capacity due to observed market price changes.

The Operative Maturity Ladder is included in the Group Risk Appetite Framework, with a limit of 0 on the 3 months bucket.

UniCredit S.p.A. adopts also the Cash Horizon as a synthetic indicator of the short-term liquidity risk levels. The Cash Horizon identifies the number of days after which the relevant Entity is no longer able to meet its liquidity obligations as expressed in the Operative Maturity Ladder, after having exhausted the available Counterbalancing Capacity.

### *Structural liquidity management*

UniCredit S.p.A.'s structural liquidity management aims to limit refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims to avoid pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (Yearly Funding Plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimize costs, by diversifying sources, national markets, currencies of issuance and instruments used (realization of the Yearly Funding Plan).

The main metric used to measure the medium/long-term position is the Structural Ratio.

In general, the Structural Liquidity ratio "1Y Ratio" is calculated as the ratio between liabilities and assets with maturity above one year. All the balance sheet items are mapped according to their contractual maturity, their modelled maturity or according to their specific nature. The internal limit set at 90% means that at least 90% of the assets with a maturity above 1Y have to be financed with liabilities with maturity above 1Y.

The Structural Liquidity Ratio as described above will be dismissed at the end of 2016. It will be replaced by the Net Stable Funding Ratio (NSFR) as described by the Basel III Regulation.

A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the Funding Gap. It measures the need of funding, the bank has to finance on the wholesale market. The indicator is integrated in the Risk Appetite Framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

### *Liquidity Stress Test*

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular the results of the Stress tests are used to:

- assess the adequacy of liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of UniCredit S.p.A.'s assets;
- provide support to the development of the liquidity contingency plan.

UniCredit S.p.A. has a centralized approach to stress testing, requiring each local Liquidity Reference Bank to run the same scenario set under the coordination of Risk Management. UniCredit S.p.A. runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on an hypothetical, well defined and consistent stress scenario.

## Part E - Information on risks and hedging policies

### *Liquidity scenarios*

At macro level the Group identifies three different types of potential liquidity crisis:

- market (systemic, global or sector) related crisis: market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events related to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group Legal Entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the Committed Lines is considered.

The combined scenario is defined as a general negative development in the market environment and also as a factual or market-hypothesized problem specific to the Group.

During 2016 UniCredit S.p.A. liquidity stress test result on the combined scenario was always positive.

### *Regulatory metrics*

UniCredit S.p.A. is also adopting Basel 3 regulatory ratios, such as Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), as integral part of the overall liquidity management analysis. The necessity to meet the LCR and the NSFR requirement is effectively taken into account both in the Group Funding Plan as well as within the Group Risk Appetite framework.

As far as the LCR is concerned, waiting for the specific disclosure obligations to become effective, in December 2016, the ratio for UniCredit S.p.A. was above 100%.

### *Monitoring and reporting*

In UniCredit S.p.A. the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

UniCredit S.p.A. measures and manages the liquidity risk mainly through different types of restrictions - managerial and regulatory - embedded in risk metrics limits or warning/trigger levels.

In case of limit breach or warning level activation, UniCredit S.p.A. Risk Management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

### **Risk mitigation**

#### *Mitigation factors*

Liquidity risk is considered a relevant risk category for the risk appetite determination of UniCredit S.p.A.

The main liquidity mitigation factors for UniCredit S.p.A. are:

- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective Contingency Liquidity Policy (CLP) with feasible and up-to-date Contingency Action Plan (CAP) to be executed in case of crisis;
- a liquidity buffer to face unexpected outflows;
- robust and regular up-to-date stress testing performed on a regular basis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to UniCredit S.p.A. to restore its safe liquidity profile.

#### *Funding Plan*

The Funding Plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The Funding Plan, defined at each level (i.e. Group, Liquidity Reference Bank and Legal Entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position.

The Funding Plan is updated at least on a yearly basis and is approved by the Board of Directors. Moreover, it is aligned with the Budgeting process and the Risk Appetite framework.

The Holding Company accesses the market for Group capital instruments. The Holding Company coordinates the market access of the Liquidity Reference Banks and Legal Entities, while the Liquidity Reference Banks coordinate the access of the Legal Entities falling within their perimeter. Each Legal Entity or Liquidity Reference Bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialization, safeguarding the optimization of cost of funds of UniCredit S.p.A. Group Planning, Finance, Shareholding And Investor Relations is responsible for the elaboration of the Funding Plan. Risk Management is responsible for providing an independent assessment of the Funding Plan

#### *UniCredit S.p.A. Contingency Liquidity Management*

A liquidity crisis is a high impact, low probability event. Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.

The ability to act in time is essential to minimize the potentially disruptive consequences of a liquidity crisis. The analytics of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the Early Warning Indicators the organization may be able to reduce the negative liquidity effects in the initial stages of a crisis.

The liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

UniCredit S.p.A. contingency liquidity management Global Policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.

This is achieved through:

- a set of early warning indicators that may help to identify emerging vulnerabilities in UniCredit S.p.A. liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the Contingency Funding Plan. Such a plan consists of a set of potential but concrete management actions to be performed in time of crisis. Such actions are described in terms of sizes, instruments, and timing of execution aimed at improving the bank's liquidity position during time of crisis. The Contingency Funding Plan is developed on the basis of the annual Funding Plan.

#### *Early Warning Indicators*

A specific Early Warning Indicators dashboard is in place both at UniCredit S.p.A. and at the relevant legal entities level.

A system of Early Warning Indicators is in place in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. That is, they are based either on macroeconomic or market indicators that also reflect the monetary policy stance of the Central Banks variables, or on specific internal metrics. The system of Early Warning Indicators helps to identify emerging vulnerabilities in UniCredit S.p.A.'s liquidity risk position or potential funding needs, triggering a potential response by the senior management. A "traffic light approach" is adopted for each metric in order to have sufficient time to inform senior management of a deteriorating situation and allow to put in place adequate actions aimed at restoring the business-as-usual state.

## Part E - Information on risks and hedging policies

## Quantitative information

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

(€ '000)

ITEMS/MATURITIES	AMOUNTS AS AT 12.31.2016									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
<b>On-balance sheet assets</b>	<b>24,160,958</b>	<b>13,419,938</b>	<b>6,047,895</b>	<b>16,533,166</b>	<b>24,633,864</b>	<b>15,835,519</b>	<b>29,088,523</b>	<b>106,021,295</b>	<b>63,676,622</b>	<b>8,844,002</b>
A.1 Government securities	54,572	2,000	8,380	234,759	728,212	3,829,107	9,309,819	39,221,981	6,732,587	-
A.2 Other debt securities	4,890	228	8,408	76,146	274,999	139,836	664,968	2,019,827	5,214,593	19,234
A.3 Units in investment funds	917,071	-	-	-	-	-	-	-	-	1,197
A.4 Loans	23,184,425	13,417,710	6,031,107	16,222,261	23,630,653	11,866,576	19,113,736	64,779,487	51,729,442	8,823,571
- Banks	1,798,023	1,146,160	658,261	981,269	2,554,861	974,554	1,841,538	1,742,427	1,606,426	8,823,571
- Customers	21,386,402	12,271,550	5,372,846	15,240,992	21,075,792	10,892,022	17,272,198	63,037,060	50,123,016	-
<b>On-balance sheet liabilities</b>	<b>162,185,854</b>	<b>22,915,004</b>	<b>8,253,315</b>	<b>17,019,959</b>	<b>10,835,602</b>	<b>8,347,378</b>	<b>18,652,310</b>	<b>54,423,334</b>	<b>31,678,484</b>	<b>212,034</b>
B.1 Deposits and current accounts	151,624,706	760,160	405,204	852,401	1,015,737	987,476	543,070	140,695	203,764	-
- Banks	4,344,030	343,402	257,204	416,088	813,623	710,666	296,781	-	-	-
- Customers	147,280,676	416,758	148,000	436,313	202,114	276,810	246,289	140,695	203,764	-
B.2 Debt securities	334,178	148,479	1,005,097	3,442,285	3,603,879	5,105,428	14,369,006	31,017,315	27,830,923	212,034
B.3 Other liabilities	10,226,970	22,006,365	6,843,014	12,725,273	6,215,986	2,254,474	3,740,234	23,265,324	3,643,797	-
<b>Off-balance sheet "transactions"</b>										
C.1 Physically settled financial derivatives										
- Long positions	2,185	9,819,112	5,782,678	6,580,344	13,061,701	15,233,985	8,936,251	10,471,420	6,444,366	-
- Short positions	2,194	10,446,749	5,757,703	6,350,337	12,752,742	14,740,975	9,109,777	10,460,618	6,001,794	-
C.2 Cash settled financial derivatives										
- Long positions	5,153,800	18,029	39,235	102,121	627,560	645,515	1,269,549	-	-	-
- Short positions	5,235,043	35,541	8,528	69,014	597,931	615,469	1,043,006	-	-	-
C.3 Deposit to be received										
- Long positions	-	12,730,746	-	-	428,971	-	-	-	-	-
- Short positions	-	5,812,184	339,646	425,859	4,805,499	1,776,530	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	61,480	1,279,941	10,134	554,623	801,285	1,381,090	529,502	288,485	32,962	-
- Short positions	4,254,340	685,161	-	-	-	-	-	-	-	-
C.5 Written guarantees	18,713	114	-	40,993	21,887	19,001	35,718	102,025	11,208	-
C.6 Financial guarantees received	53	114	-	8,871	735	766	7,275	26,015	4,142	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-



1.1 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: euro

(€ '000)

AMOUNTS AS AT 12.31.2016										
ITEMS/MATURITIES	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
<b>On-balance sheet assets</b>	<b>23,346,496</b>	<b>11,415,391</b>	<b>5,672,088</b>	<b>15,839,259</b>	<b>22,972,659</b>	<b>14,625,935</b>	<b>28,014,029</b>	<b>104,341,178</b>	<b>61,890,177</b>	<b>8,844,002</b>
A.1 Government securities	52,181	2,000	6,967	234,759	728,212	3,804,556	9,303,740	38,901,328	6,631,478	-
A.2 Other debt securities	4,882	228	8,408	76,146	220,432	139,587	663,269	2,010,323	5,169,872	19,234
A.3 Units in investment funds	827,834	-	-	-	-	-	-	-	-	1,197
A.4 Loans	22,461,599	11,413,163	5,656,713	15,528,354	22,024,015	10,681,792	18,047,020	63,429,527	50,088,827	8,823,571
- Banks	1,333,287	973,778	555,911	928,111	2,380,204	875,484	991,788	1,368,220	120,000	8,823,571
- Customers	21,128,312	10,439,385	5,100,802	14,600,243	19,643,811	9,806,308	17,055,232	62,061,307	49,968,827	-
<b>On-balance sheet liabilities</b>	<b>158,670,781</b>	<b>22,204,366</b>	<b>8,022,333</b>	<b>16,247,399</b>	<b>10,534,782</b>	<b>7,716,189</b>	<b>17,150,691</b>	<b>51,977,284</b>	<b>29,136,139</b>	<b>212,034</b>
B.1 Deposits and current accounts	148,728,963	287,968	174,222	115,242	760,479	747,451	478,116	140,695	203,764	-
- Banks	3,245,903	86,250	172,000	105,000	652,400	493,753	239,000	-	-	-
- Customers	145,483,060	201,718	2,222	10,242	108,079	253,698	239,116	140,695	203,764	-
B.2 Debt securities	334,152	148,347	1,005,097	3,436,507	3,594,885	4,804,305	14,284,244	30,510,410	25,317,932	212,034
B.3 Other liabilities	9,607,666	21,768,051	6,843,014	12,695,650	6,179,418	2,164,433	2,388,331	21,326,179	3,614,443	-
<b>Off-balance sheet "transactions"</b>										
C.1 Physically settled financial derivatives										
- Long positions	5	5,237,253	2,800,285	3,933,155	6,752,762	6,376,165	4,284,769	3,419,993	3,475,487	-
- Short positions	879	5,549,762	2,739,151	2,238,358	5,024,247	6,685,987	3,819,175	3,699,942	2,869,537	-
C.2 Cash settled financial derivatives										
- Long positions	4,813,226	17,971	39,044	101,846	617,019	579,928	1,204,154	-	-	-
- Short positions	4,896,660	35,053	8,421	68,373	559,849	588,434	978,831	-	-	-
C.3 Deposit to be received										
- Long positions	-	12,729,715	-	-	428,971	-	-	-	-	-
- Short positions	-	5,811,156	339,642	425,859	4,805,499	1,776,530	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	61,480	1,267,851	10,134	552,236	771,953	1,329,543	501,295	288,485	1,363	-
- Short positions	4,254,340	530,000	-	-	-	-	-	-	-	-
C.5 Written guarantees	18,713	114	-	37,207	21,887	18,604	32,817	102,022	10,295	-
C.6 Financial guarantees received	53	114	-	8,871	735	766	7,275	26,015	4,142	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Part E - Information on risks and hedging policies

## 1.2 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ '000)

ITEMS/MATURITIES	AMOUNTS AS AT 12.31.2016									
	ON DEMAND	1 TO 7 DAYS	7 TO 15 DAYS	15 DAYS TO 1 MONTH	1 TO 3 MONTHS	3 TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
<b>On-balance sheet assets</b>	<b>814,462</b>	<b>2,004,547</b>	<b>375,807</b>	<b>693,907</b>	<b>1,661,205</b>	<b>1,209,584</b>	<b>1,074,494</b>	<b>1,680,117</b>	<b>1,786,445</b>	-
A.1 Government securities	2,391	-	1,413	-	-	24,551	6,079	320,653	101,109	-
A.2 Other debt securities	8	-	-	-	54,567	249	1,699	9,504	44,721	-
A.3 Units in investment funds	89,237	-	-	-	-	-	-	-	-	-
A.4 Loans	722,826	2,004,547	374,394	693,907	1,606,638	1,184,784	1,066,716	1,349,960	1,640,615	-
- Banks	464,736	172,382	102,350	53,158	174,657	99,070	849,750	374,207	1,486,426	-
- Customers	258,090	1,832,165	272,044	640,749	1,431,981	1,085,714	216,966	975,753	154,189	-
<b>On-balance sheet liabilities</b>	<b>3,515,073</b>	<b>710,638</b>	<b>230,982</b>	<b>772,560</b>	<b>300,820</b>	<b>631,189</b>	<b>1,501,619</b>	<b>2,446,050</b>	<b>2,542,345</b>	-
B.1 Deposits and current accounts	2,895,743	472,192	230,982	737,159	255,258	240,025	64,954	-	-	-
- Banks	1,098,127	257,152	85,204	311,088	161,223	216,913	57,781	-	-	-
- Customers	1,797,616	215,040	145,778	426,071	94,035	23,112	7,173	-	-	-
B.2 Debt securities	26	132	-	5,778	8,994	301,123	84,762	506,905	2,512,991	-
B.3 Other liabilities	619,304	238,314	-	29,623	36,568	90,041	1,351,903	1,939,145	29,354	-
<b>Off-balance sheet "transactions"</b>										
C.1 Physically settled financial derivatives										
- Long positions	2,180	4,581,859	2,982,393	2,647,189	6,308,939	8,857,820	4,651,482	7,051,427	2,968,879	-
- Short positions	1,315	4,896,987	3,018,552	4,111,979	7,728,495	8,054,988	5,290,602	6,760,676	3,132,257	-
C.2 Cash settled financial derivatives										
- Long positions	340,574	58	191	275	10,541	65,587	65,395	-	-	-
- Short positions	338,383	488	107	641	38,082	27,035	64,175	-	-	-
C.3 Deposit to be received										
- Long positions	-	1,031	-	-	-	-	-	-	-	-
- Short positions	-	1,028	4	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	12,090	-	2,387	29,332	51,547	28,207	-	31,599	-
- Short positions	-	155,161	-	-	-	-	-	-	-	-
C.5 Written guarantees	-	-	-	3,786	-	397	2,901	3	913	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Section 4 - Operational risks

### Qualitative information

#### **A. General aspects, operational processes and methods for measuring operational risk**

##### *Operational risk*

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to the company's physical assets, business disruption and system failures, process management.

##### *Group operational risk framework*

UniCredit group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and controlled entities.

The operational risk policies, applying to all Group entities, are common principles defining the roles of the company bodies, the operational risk management function as well as the relationship with other functions involved in operational risk monitoring and management.

The Parent Company coordinates the Group entities according to the internal regulation for operational risk control and management. Specific risk committees (Risk Committee, Operational & Reputational Risk Committee) are set up to monitor risk exposure, mitigating actions and measurement and control methods.

The methodology for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement is set by the Group Operational & Reputational Risks department of the Holding company.

Starting from October 2016, the Unit Operational, Reputational Risk & Fraud Management Italy, previously reporting to the Risk Management Italy department – CRO Italy, has been relocated within the Group Operational & Reputational Risks Department – GRM, changing its name in Operational & Reputational Risks Management.

The operational and reputational risks management and control of UniCredit S.p.A. is set by the Unit "Operational & Reputational Risks Management.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process under the responsibility of the Group Internal Validation department of the Holding company and independent from the Group Operational & Reputational Risks Department.

In March 2008, UniCredit group received authorization to use the AMA model (Advanced Measurement Approach) for calculating operational risk capital. In July 2014 Supervisors have authorized UniCredit Group to implement the proposed qualitative and quantitative changes to the AMA model, both at consolidated and individual level, starting from June 30, 2014.

##### *Organizational structure*

Senior Management is responsible for approving all aspects relating to the Group operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure, with support from the appropriate risk committees if required.

The Group Operational & Reputational Risk Committee, chaired by the Group Chief Risk Manager, is made up of permanent and guest members. The list of participants of the Committee has been updated in 2014.

The mission of the Group Operational & Reputational Risk Committee relative to operational risk, is to define proposals and opinions for the Group Risk Committee, for:

- the Group risk appetite including capitalization targets and capital allocation criteria for Group operational risks;
- initial approval and fundamental modifications of risk control and measurement systems and applications for operational risk, including possible action plans, processes, IT and data quality requirements, supported by the related internal validations;
- overall strategies for operational risk optimization, "Governance Guidelines" and general "Policies" for the management of Group operational risk;
- action plans to address possible critical findings related to risk control and measurement system resulting from "Group Internal Validation" and Internal Audit activities, with regard to internal control system and risk measurement;
- status update of relevant Basel II project activities and processes on operational risk topics;
- ICAAP topics for operational risks;
- yearly Regulatory Internal Validation Report on operational risk.
- advice on matter of operational risk, upon request of the Holding Company functions/Bodies and Legal Entities.

The Group Operational & Reputational Risk Committee, relative to operational risk, meets with approval functions instead for the following topics:

- special operational and reputational risk "Policies";
- corrective actions for balancing the Group operational risk positions, including the planned mitigation actions, within the Risk Appetite Framework approved by the competent Bodies;

## Part E - Information on risks and hedging policies

- Group insurance strategies, including renewals, limits and franchises;
- initial approval and fundamental modifications of the methodologies for the measurement and control of operational risk, supported by the related internal validations.

The Group Operational & Reputational Risks Department reports to Group Risk Management (Group CRO) and supervises and manages the overall profile of the operational and reputational risks granting the compliance to regulatory requirements. It is responsible for the governance and control of operational and reputational risks (including operational risks bordering on credit risk and market risk and ICT risks) of the Group and for evaluating exposure to operational and reputational risks, guaranteeing their continual and independent monitoring and defining strategies to mitigate such risks and contain related losses for UniCredit S.p.A perimeter. The department is also responsible for the definition of operational risk losses optimization program leveraging on specific risk models and methodologies.

The department is structured in four units.

- Operational and Reputational Risk Oversight Unit, responsible for defining the principles and rules for identification, assessment and control of operational and reputational risk (including operational risks bordering on credit risk and market risk and ICT risks), and monitoring their correct application by the Legal Entities. The Unit is furthermore responsible to guarantee operational losses, scenario and risk indicators conformity at group level.
- Operational & Reputational Risks Management Unit, responsible for supporting the business functions (i.e. UniCredit S.p.A. network and Competence Line, CIB Division) in the identification of the operational and reputational risks performing specific risk assessment activities (e.g. on relevant transactions). The unit is also responsible for defining operational risk losses optimization program and for RAF metrics control. The unit is furthermore responsible for the reputational risk management with reference to its area of responsibility (UniCredit S.p.A) and for releasing Reputational Risk Non-Binding Opinion at Group level in accordance with Reputational Risk Group rules.
- Operational, Reputational Risks and Fraud Management in the Credit Framework unit, responsible for the identification and control of operational risks on credit process in order to contribute to inherent losses reduction. The unit is also responsible, in cooperation with Group Ict And Security Office for its perimeter of competence, for guidelines definition at Group Level for fraud management on credit products and, with reference to its area of responsibility (UniCredit S.p.A), for identifying measures necessary to prevent, control and manage residential mortgage and consumer credit fraud.
- Operational and Reputational Risks Advanced Analytics and Strategies, responsible for defining risk capital measurement approaches, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group's exposure to operational risk and reputational risk, and providing suitable reporting to the functions concerned. The unit is also responsible for guaranteeing mitigation strategies set-up conformity at Group level.

The Operational & Reputational Risks Management Unit depends on GRM and is responsible for the evaluation of the operational and reputational risks exposure of UniCredit S.p.A., for granting on those risks a continuous and independent presidium, for defining strategies aiming the mitigation and loss control, complying to Global Rules defined by Group Operational & Reputational Risks Department.

In the matter of the operational risks measurement, management and mitigation, the Unit:

- is responsible of data quality concerning operational risks entered in the Group database, using both the General Ledger analysis, and the accounting reconciliation of operational losses with accounting items entered by UniCredit S.p.A.
- is responsible of losses data analysis entered by UniCredit S.p.A and of risk indicators trend. The Unit is also responsible for the periodical reporting on the operational risk exposure.
- is responsible of strategies planning due to operational risks mitigation and to related losses of UniCredit S.p.A, consistent with strategies and Group Rules defined by "Group Operational & Reputational Risk", identifying any mitigation action, monitoring the implementation and the effectiveness, in cooperation with "Internal Controls Italy" and "Organization Italy" units.
- is responsible for the evaluation of Information Communication Technology risks (ICT risk) and the related controls, in line with the Group methodology.

Finally, with the purpose both to fulfill specific Supervisory request in matter of Governance on operational risk and strengthen the mechanism of operational risk control, in January 2015 the "Italian Operational & Reputational Risk Committee" has been established. It is chaired by the Italian Chief Risk Manager and it is responsible for the monitoring of operational and reputational risk exposure of UniCredit S.p.A. and for the evaluation of relevant events and related mitigation actions implemented. During 2016, the Committee met on a quarterly basis.

### *Internal validation process*

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up in order to verify the conformity with regulations and Group standards. This process is responsibility of the Market, Operational & Pillar II Risks Validation unit, within the Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk are validated at Holding company level by the abovementioned Unit, while the implementation of the operational risk control and management system within the relevant entities is validated by the local ORM functions following the Technical Instructions and policies issued by the Group Internal Validation Department.

The results of the local assessments are annually verified by the Group Internal Validation department which also performs additional analysis on data and documentation. Detailed reports are then submitted to the Group CRO for the release of specific Non-Binding Opinions to the relevant

subsidiaries. The local validation report, together with the opinion of the Holding company and the Internal Audit report is submitted to the entities' competent Governing Bodies for approval.

All the validation outcomes on the operational risk control and measurement system, both at Holding Company and controlled entities level, are annually consolidated within the Group Validation report which, along with the annual Internal Audit report, is presented to the UniCredit Board of Directors.

Periodical reporting on validation activities is submitted also to the Group Operational & Reputational Risk Committee.

### *Reporting*

A reporting system has been developed by ORM function to inform senior management and relevant control bodies on the operational risk exposure and the risk mitigation actions.

In particular, quarterly updates are provided on operational losses, capital-at-risk estimates, the main initiatives undertaken to mitigate operational risk in the various business areas, operational losses suffered in the credit linked processes ("cross-credit" losses).

The ORM function, on a monthly basis, analyses operational risk indicators and, by the mean of a dedicated report, informs senior management upon the results of the above mentioned assessment.

The results of the main scenario analyses carried out at Group level and the relevant mitigation actions undertaken are also submitted to the attention of the Group Operational & Reputational Risk Committee.

### *Operational risk management*

Operational risk management exploits process reengineering to reduce the risk exposure and insurance policies management, defining proper deductibles and policies limits. Regularly tested business continuity plans assure sound operational risk management in case of interruption of main business services.

Compliant to Group Guidelines on operational risk matters, UniCredit S.p.A. set up the "**Permanent Work Group**" – PWG composed by relevant functions for the operational risk monitoring (ORM function, Organization, Security, Compliance and Internal Controls); this PWG regularly meets in order to detect critical areas the company is exposed and, consequently, implements specific mitigating actions.

In 2016 was furthermore strengthened, in collaboration with Group Operational & Reputational Risks department, the Operational Risk Appetite Framework, thus ELOR and ICT ELOR metrics for the measurement and the monitoring of the Bank's risk profile have been developed.

### *Risk capital measurement and allocation mechanism*

UniCredit developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data (consortium and public data) scenario loss data and risk indicators.

Capital at risk is calculated per event type class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation, considering also insurance coverage. The severity distribution is estimated on internal, external and scenario loss data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method. Capital at risk is calculated at a confidence level of 99,9% on the overall loss distribution for regulatory purposes and at a confidence level of 99,97% for economic capital purposes.

Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the entities' risk exposure.

## **B. Legal risks**

UniCredit S.p.A. is named as a defendant in several legal proceedings. In particular, as of 31 December 2016, UniCredit S.p.A. was named as a defendants in about 10,000 legal proceedings (excluding labour law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). Moreover, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which UniCredit S.p.A. may not lawfully know about or communicate.

UniCredit S.p.A. is also required to appropriately fulfill with various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead to additional litigation and investigations and subjects UniCredit S.p.A. to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, UniCredit S.p.A. and other UniCredit group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, *inter alia*, to aspects of systems and controls and instances of actual and potential regulatory infringement by UniCredit S.p.A. and the relevant Group companies and/or its clients. Given the nature of the UniCredit group's business and its reorganization over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group companies.

## Part E - Information on risks and hedging policies

In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of any possible losses. These cases include criminal proceedings, administrative proceedings brought by the relevant supervisory or prosecution authority and/or claims in which the demanded compensation and/or potential liability that UniCredit S.p.A. is responsible is not and cannot be determined either because of how the claim is presented and/or because of the nature of the actual proceedings. In such cases, until such time in which it is possible to estimate reliably potential outcomes, no provisions are made. However, where it is possible to reliably estimate the amount of possible losses and the loss is considered likely, provisions have been made in the financial statements to the extent deemed appropriate by UniCredit S.p.A. based on the circumstances and consistent with International Accounting Standards (IAS).

To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labor law cases, tax cases and credit recovery actions), as of December 31, 2016, UniCredit S.p.A. set aside a provision for risks and charges of €573 million.

As of December 31, 2016, the total amount of claimed damages relating to judicial proceedings other than labor, tax and debt collections proceedings was €7,7 billion. This figure is affected by both the heterogeneous nature of the pending proceedings and the multiplicity of jurisdictions and their corresponding characteristics in which UniCredit S.p.A. is named as a defendant.

The estimate for reasonably possible liabilities and this provision are based upon information available as of December 31, 2016, but, given the numerous uncertainties inherent in legal proceedings, involve significant elements of judgment. In particular, in some cases it is not possible to form a reliable estimate, for example where proceedings have not yet been initiated or where there are sufficient legal and factual uncertainties to make any estimate speculative. Therefore any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving UniCredit S.p.A. which are not considered groundless or in the ordinary course of the Bank's business.

This section also describes pending proceedings against UniCredit S.p.A. and/or employees (even former employees) that UniCredit S.p.A. considers relevant and which, at present, are not characterised by a defined claim or for which the respective claim cannot be quantified.

Unless expressly mentioned below, labour law and tax claims are excluded from this section and are described elsewhere in the notes of this section. In accordance with IAS 37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

### *Madoff*

#### *Background*

UniCredit S.p.A. and several of its direct and indirect subsidiaries have been subject to legal action or investigated in the wake of a Ponzi Scheme perpetrated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was exposed in December 2008. The background of such litigations and investigations, and the connections between UniCredit S.p.A. and certain of its affiliates with BLMIS, have been more fully disclosed in prior reporting periods.

### *Proceedings in the United States*

#### *Claims by the SIPA Trustee*

In December 2010, the bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS filed, as one of a number of cases, a case in a US Federal Court against some 60 defendants, including HSBC, UniCredit S.p.A. and certain of its affiliates (*i.e.* PAI, PGAM, UCB Austria, BAWFM and Bank Austria Cayman Islands Ltd) (the "HSBC" case).

In the HSBC case, the SIPA Trustee sought to recover over 6 billion dollars (to be later determined at trial) in the aggregate against all 60 or so defendants for common law claims (*i.e.* claims for aiding and abetting the violations by BLMIS) and avoidance claims (also known as claw-back claims). No separate claim for damages was brought against the UniCredit group.

All claims against UniCredit S.p.A. and all other members of the UniCredit group relating to both common law and claw-back claims have been dismissed with prejudice, except (i) UCB Austria where the SIPA Trustee voluntarily dismissed without prejudice the claw-back claims against UCB Austria on July 21, 2015 and (ii) BAWFM where on November 22, 2016 the bankruptcy court issued a decision that requires the dismissal of clawback claims against BAWFM. The SIPA Trustee has a right to appeal the bankruptcy court's decision in respect of clawback claims against BAWFM and has indicated an intention to appeal. However, if that appeal was successful, the potential claim for damages is non-material and, therefore, there are no specific risk profiles for the UniCredit group.

#### *Claim by SPV OSUS Ltd.*

UniCredit S.p.A. and certain of its affiliates – UCB Austria, BAWFM and PAI – have been named as defendants, together with approximately 40 other defendants, in a lawsuit filed in the Supreme Court of the State of New York, County of New York, on December 12, 2014, by SPV OSUS Ltd. The complaint asserts common law based claims, only for compensation, against all defendants for aiding and abetting breach of fiduciary duty, aiding and abetting fraud, aiding and abetting conversion and knowing participation in a breach of trust in connection with the Madoff Ponzi Scheme. The case is brought on behalf of investors in BLMIS and claims damages in an unspecified amount. The action filed by SPV OSUS Ltd is in the initial stages.

### *Proceedings Outside the United States*

Investors in the Primeo and Herald funds brought numerous civil proceedings in Austria. At the moment, 65 civil proceedings remain pending with a claimed amount totaling €21.7 million plus interest, of which: 52 are pending before a judge of first instance with no judgment yet, ten are on appeal before the Court of Appeal and in three cases extraordinary appeals may be brought to the Supreme Court (the deadlines for the extraordinary appeals all end in early 2017). The claims in these proceedings pertain to the assumed breach by UCB Austria of certain duties regarding its function as prospectus controller (i.e. regarding the review of prospectuses for accuracy and completeness), or that UCB Austria improperly advised certain investors (directly or indirectly) to invest in funds in Madoff-related investments or a combination of these claims.

The Austrian Supreme Court issued 16 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo funds, nine final Austrian Supreme Court decisions have been in favor of UCB Austria. In one case the Supreme Court did not accept UCB Austria's extraordinary appeal, thus rendering binding the decision of the Court of Appeal in favor of the claimant. With respect to the Herald fund, the Austrian Supreme Court ruled five times with respect to prospectus liability, twice in favor of UCB Austria and three times in favor of the claimant. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favor of UCB Austria. While the impact of these decisions on the remaining Herald cases cannot be predicted with certainty, future rulings may be adverse to UCB Austria. In respect of the Austrian civil proceedings pending as against UCB Austria related to Madoff's matter, UCB Austria has made provisions for an amount considered appropriate to the current risk.

UCB Austria has been named as a defendant in criminal proceedings in Austria that concern the Madoff case on allegations that UCB Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund. The criminal proceedings are still at the investigation stage; Investigations relating to these proceedings are still pending and no official indictments against UCB Austria have been brought by the Austrian prosecutor, therefore, it is not possible to estimate the sanctions (if any) that would be imposed on UCB Austria as well as the potential joint liability of UCB Austria. A criminal tax investigation in view of business relating to the Primeo fund investments has also been conducted and in April 2015 the tax authorities confirmed, after several investigations, that all taxes had been paid correctly. In September 2016, the tax matters were finally dismissed by the Office of the Prosecutor, Vienna.

### *Certain Potential Consequences*

In addition to the foregoing proceedings and investigations stemming from the Madoff case against UniCredit S.p.A., its subsidiaries and some of their respective employees and former employees, subject to any applicable limitations on the time by when proceedings must be brought, additional Madoff-related proceedings may be filed in the future in the United States, Austria or elsewhere. Such potential future proceedings could be filed against UniCredit S.p.A., its subsidiaries, their respective employees or former employees or entities with which UniCredit S.p.A. is affiliated or may have investments in. The pending or possible future proceedings may have negative consequences for the UniCredit Group.

Save as described above, at the moment, it is not possible to estimate reliably the timing and results of the various proceedings, nor determine the level of liability, if any responsibility exists. Save as described above, in compliance with international accounting standards, no provisions have been made for specific risks associated with Madoff related claims and charges.

### *Proceedings arising out of the purchase of UCB AG by UniCredit SpA and the related group reorganization*

#### *Squeeze-out of UCB AG minority shareholders (Appraisal Proceedings)*

In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich I to have a review of the price paid to them by UniCredit S.p.A., equal to €38.26 per share, when they were squeezed out (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the compensation to be paid to the former minority shareholders. UniCredit S.p.A. believes that the amount paid to the minority shareholders was adequate. At present the proceeding is pending in the first instance. The District Court of Munich I has appointed experts for the valuation of UCB AG at the time of the squeeze-out, which is a customary step in such proceedings. The court-appointed experts are in the process of finalizing their written expert opinion, which are expected to be submitted to the court between the end of the first and the beginning of the second quarter of 2017. At this point, there are no indications as to the conclusions of the court-appointed experts. All parties will then have an opportunity to comment, and the court is likely to hold an oral hearing thereafter. It will then be upon the court of first instance to decide on the request of the minority shareholders based on the expert opinion and the legal issues that are relevant and material to the decision of the court. The decision of first instance will be subject to appeal. Thus, at this stage, it is not possible to estimate the duration of the proceeding, which might also last for a number of years and could result in UniCredit S.p.A. having to pay additional cash compensation to the former shareholders. No estimate on the amount in dispute can be made at the current stage of the proceeding.

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### *Squeeze-out of Bank Austria's minority shareholders*

In 2008, approximately 70 former minority shareholders in UCB Austria initiated proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding).

The Commercial Court of Vienna referred the case to a panel, called the "Gremium", to investigate the facts of the case in order to review the adequacy of the cash compensation. UniCredit S.p.A., considering the nature of the valuation methods employed, believes that the amount paid to the minority shareholders was adequate. In December 2011, the expert appointed by the Gremium rendered its expert opinion on the adequacy of the cash compensation already paid. In May 2013, a supplement opinion was prepared. The results of such opinions are essentially positive for UniCredit S.p.A. Due to several formal issues, the proceeding before the Gremium is still not finalized. The next oral hearing before the Gremium will take place in 2017. If no settlement is reached in such hearing, the Gremium will refer the case back to the Commercial Court of Vienna, which will have to deal with valuation as well as with legal issues.

At present the proceeding is pending in the first instance. Currently, it is not possible to examine and/or quantify the possible risk connected with the above described Appraisal Proceeding.

### *Financial Sanctions matters*

In the past years, violations of US sanctions and certain US dollar payment practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the U.S. Department of Justice ("DOJ"), the District Attorney for New York County ("NYDA"), the U.S. Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"). More specifically, in March 2011, UCB AG received a subpoena from the NYDA relating to historical transactions involving certain Iranian entities designated by OFAC and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by UCB AG and its subsidiaries more generally.

In this context, UCB AG is conducting a voluntary investigation of its U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices have been identified. In addition, UCB Austria has independently initiated a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and has similarly identified certain historical non-transparent practices. UniCredit S.p.A. is also in the process of conducting a voluntary review of its historical compliance with applicable U.S. financial sanctions. The scope, duration and outcome of any such review or investigation will depend on facts and circumstances specific to each individual case. Each of these entities is cooperating with the relevant U.S. authorities and remediation activities relating to policies and procedures have commenced and are ongoing. Each Group entity subject to investigations is updating its regulators as appropriate.

It is also possible that investigations into historical compliance practices may be extended to other companies within the Group or that new investigations or proceedings may be commenced against UniCredit S.p.A. and/or the Group. These investigations and/or proceedings into certain Group companies could result in UniCredit S.p.A. and/or the Group being required to pay material fines and/or being the subject of criminal or civil penalties (which at present cannot be quantified).

UniCredit S.p.A. and the Group companies have not yet entered into any agreement with the various U.S. authorities and therefore it is not possible to determine the form, extent or the timing of any resolution with any relevant authorities, including what final costs, remediation, payments or other legal liability that may occur in connection therewith.

While the timing of any agreement with the various U.S. authorities is currently not determinable, it is possible that the investigations into one or all of the Group entities could be completed in 2017.

Recent violations of U.S. sanctions and certain U.S. dollar payment practices by other European financial institutions have resulted in those institutions entering into settlements and paying material fines and penalties to various U.S. authorities. At present, UniCredit S.p.A. and the Group companies have no reliable basis on which to compare the ongoing investigations relating to The Group companies to any settlements involving other European institutions, however, it is not possible to assure that any settlement, if any, will not be material.

The investigation costs, remediation required and/or payment or other legal liability incurred in connection with the proceedings could lead to liquidity outflows and could potentially negatively affect our net assets and net results and those of one or more of our subsidiaries. Such an adverse outcome to one or more of the Group entities subject to investigation could have a material adverse effect, also on a reputational basis, on the business, results of operations or financial condition of the Group, as well as on the ability of the Group to meet the relevant capital requirements.

### *Proceeding relating to certain forms of banking operations*

UniCredit S.p.A. is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to UniCredit S.p.A., rather affect the financial sector in general.

In this regard, (i) proceedings pertaining to compound interest against UniCredit S.p.A., typical of the Italian market, had a total claimed amount of €1,155 million, mediations included, as of December 31, 2016; (ii) proceedings pertaining to derivative products against UniCredit S.p.A., had a total claimed amount of €859 million, mediations included, as of December 31, 2016;



The proceedings pertaining to compound interest mainly involve damages requests from clients arising from the alleged unlawfulness of the calculation methods of the amount of interest payable for certain banking contracts. Starting from the first years of 2000, there has been a progressive increase in claims brought by the account holders due to the unwinding of the interest payable arisen from the quarterly compound interest. From the third quarter of 2016, the number of claims for refunds/compensation for compound interest decreased slightly compared to 2015. At present, UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims. With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to UniCredit S.p.A. and its Group companies. At present, it is not possible to assess the full impact of these legal challenges on the Group.

#### *Vanderbilt related litigations*

##### *Claims brought or threatened by or on behalf of the state of New Mexico or any of its agencies or funds*

In August 2006, the New Mexico Educational Retirement Board ("ERB") and the New Mexico State Investment Council ("SIC"), both US state funds, invested \$90 million in Vanderbilt Financial, LLC ("VF"), a vehicle sponsored by Vanderbilt Capital Advisors, LLC ("VCA"). VCA is a subsidiary of Pioneer Investment Management USA Inc. and an indirect subsidiary of UniCredit S.p.A. The purpose of VF was to invest in the equity tranche of various collateralised debt obligations ("CDOs") managed primarily by VCA. The equity investments in VF, including those made by the ERB and SIC, became worthless. VF was later liquidated.

Beginning in 2009, several lawsuits were threatened or filed (some of which were later dismissed) on behalf of the State of New Mexico relating to the dealings between VCA and the State of New Mexico. These lawsuits include proceedings launched by a former employee of the State of New Mexico who claimed the right, pursuant to the law of the State of New Mexico, to act as a representative of the State for the losses suffered by the State of New Mexico with regard to investments managed by VCA. In these proceedings, in addition to VCA, Pioneer Investment Management USA Inc., PGAM and UniCredit S.p.A. were also named as defendants, by virtue of their respective corporate affiliation with VCA, as described in the previous paragraph. In addition, two class actions were launched with regard to VCA on behalf of the public pension fund managed by ERB and the State of New Mexico threatened to launch a case against VCA if its claim was not satisfied. These suits threatened or instigated relate to losses suffered by the ERB and/or SIC on their VF investments, with additional claims threatened in relation to further losses suffered by SIC on its earlier investments in other VCA-managed CDOs. The lawsuits threatened or instigated allege fraud and kickback practices. Damages claimed in the lawsuits filed by or on behalf of the State of New Mexico are computed based on multiples of the original investment, up to a total of \$365 million. In 2012, VCA reached an agreement with the ERB, SIC and State of New Mexico to settle for the sum of \$24.25 million all claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds. The settlement amount was deposited into escrow at the beginning of 2013. The settlement is contingent on the Court's approval, but that process was temporarily delayed, and the original litigation was stayed, pending the determination by the New Mexico Supreme Court of a legal matter in a lawsuit brought against a different set of defendants in other proceedings. The New Mexico Supreme Court issued its ruling on the awaited legal matter in June 2015 and in December 2015 VCA, the ERB, SIC, and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing on the matter in April 2016 and a decision is awaited. Said decision has not yet been issued. If the settlement is approved, the escrowed amount will be paid over to the State of New Mexico and VCA, Pioneer Investment Management USA Inc, PGAM and UniCredit S.p.A. will all be released from all claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

#### *Other litigation*

In November 2011, Bruce Malott, the former chairman of the ERB, brought suit in the New Mexico State Court against persons or companies allegedly involved with "pay to play" or kickback practices at the ERB, alleging damages to his reputation in earning capacity as a result of his association with the challenged practices. Among the defendants were VCA, VF, PIM US and two former officers of VCA. No damages amount is specified, but Malott sought treble damages and punitive damages (as applicable) in addition to any actual damages he might prove. In June 2013, Malott's claims were dismissed but with leave to replead; his further amended complaints were dismissed in August 2013 and May 2014. In February 2016 Malott dropped his plan to appeal those rulings and the matter is now concluded.

Until April 2008, Standard Life Insurance Company of Indiana (SLICOI) was one of the asset management clients of VCA. A different manager then took over. In December 2008, SLICOI went bankrupt and was placed into rehabilitation proceedings by the Indiana State Insurance Commissioner ("ISIC"). In 2010, ISIC filed a lawsuit in an Indiana State Court in the USA against the successor manager of SLICOI's portfolio, the directors of SLICOI's former parent company, and VCA, alleging against VCA and the successor manager claims for breach of contract, breach of fiduciary duty and violations of the Indiana State Securities Act. Against the directors, ISIC alleged breach of fiduciary duty. Although the alleged damage has not been quantified in the complaint, at year-end 2015, ISIC quantified the claimed damage as between \$98-\$348 million. The defendants deny all the claims. In January 2017, VCA reached an agreement to settle all the claims. All costs will be paid by insurance. The parties expect to implement the settlement promptly.

## Part E - Information on risks and hedging policies

### *Divania S.r.l.*

In the first half of 2007, Divania S.r.l. (now in bankruptcy) ("Divania") filed a suit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now "UniCredit S.p.A.") alleging violations of law and regulation (relating, inter alia, to financial products) in relation to certain rate and currency derivative transactions created between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now "UniCredit S.p.A."). The plaintiff requests that the contracts be declared non-existent, or failing that, null and void or to be cancelled or terminated, and that UniCredit Banca d'Impresa S.p.A. pay the plaintiff a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a settlement that the parties reached in 2005 under which Divania had agreed to waive any claims in respect of the transactions.

UniCredit S.p.A. rejects Divania demands. Without prejudice to its rejection of liability, UniCredit S.p.A. maintains that the amount claimed has been calculated by aggregating all the debits made (for an amount much larger than the actual amount), without taking into account the credits received that significantly reduce the plaintiff's demands. In 2010, the Court-appointed expert witness submitted a report that largely confirms the Bank's position stating that there was a loss on derivatives amounting to about €6,400,000 (which would increase to €10,884,000 should the out-of-court settlement, challenged by the plaintiff, be judged unlawful and thus null and void).

The expert opinion states that interest should be added in an amount between €4,137,000 (contractual rate) and €868,000 (legal rate). On 29 September 2014, the judges reserved their decision. A new expert report was then ordered, which essentially confirmed the conclusions of the previous expert report. At the hearing held on 6 June 2016 the judges reserved again their decision. On 16 January 2017, the Court issued a decision declaring not to be competent to decide on part of the plaintiff's claims and ordered UniCredit S.p.A. to pay, in favor of the Receiver of the Divania bankruptcy, an overall amount of approximately €7.6 million plus legal interests and part of the expenses.

Two additional lawsuits have also been filed by Divania, (i) one for €68.9 million (which was subsequently increased up to €80.5 million pursuant to Article 183 of the Code of Civil Procedure); and (ii) a second for €1.6 million.

As for the first case, in May 2016 the Court ordered UniCredit S.p.A. to pay approximately €12.6 million plus costs. UniCredit S.p.A. appealed against the decision and at the first hearing the case was adjourned to 22 June 2018.

In respect of the second case, on 26 November 2015, the Court of Bari rejected the original claim of Divania. The judgment has *res judicata* effect. UniCredit S.p.A. has made a provision for an amount it deems appropriate to cover the risk of the lawsuit.

### *I Viaggi del Ventaglio Group ("IVV")*

In 2011 foreign companies IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee IVV INTERNATIONAL S.A. filed a lawsuit in the Court of Milan for approximately €68 million. In 2014 the bankruptcy trustees of IVV Holding S.r.l. and by IVV S.p.A. filed two further additional lawsuits in the Court of Milan for €48 million and €170 million, respectively.

The three lawsuits are related. The first and third relate to allegedly unlawful conduct in relation to loans. The second relates to disputed derivative transactions. UniCredit S.p.A.'s view is that the claims appear to be groundless based on its preliminary analysis. In particular: (i) as far as the first lawsuit is concerned (a claim amounting to approximately €68 million), UniCredit S.p.A. won in first instance. Respectively, in July 2016 and in September 2016, the plaintiffs filed an appeal against the decision and the next hearing is scheduled for May 2017; (ii) as far as the second lawsuit is concerned (a claim amounting to approximately €48 million), relating mainly to disputed derivative transactions, in 2015, all the pre-trial claims, including the expert opinion, have been rejected and the judge has set a hearing for the detailed conclusions for May 2017; and (iii) lastly, with regard to the third lawsuit (a claim amounting to approximately €170 million), it is currently at the pre-trial stage and the requests made by the judge to the court-appointed expert do not affect the position of UniCredit S.p.A. The next hearing for the cross examination of the court-appointed expert witness was set for September 2017.

### *Lawsuit brought by "Paolo Bolici"*

In May 2014, the company wholly owned by Paolo Bolici sued UniCredit S.p.A. in the Court of Rome seeking the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The matter is *sub iudice*. The company then went bankrupt. At present no provisions have been made.

### *Mazza Group*

The civil lawsuit originates from a criminal proceeding in the Court of Rome for illicit lending transactions of disloyal employees of UniCredit S.p.A. in favour of certain clients for approximately €84 million. These unlawful credit transactions involve: (i) unlawful supply of funding, (ii) early use of unavailable large sums, (iii) irregular opening of accounts which the employees, in increasingly important roles, facilitated in violation of the regulations and procedures of Banca di Roma S.p.A. (later "UniCredit Banca di Roma S.p.A." and afterwards merged by incorporation into UniCredit S.p.A.).

The criminal proceeding relating to acts and events quantifiable as offences (fraud, continued misappropriation, forgery) committed in 2005 by representatives of a group of companies (the "Mazza Group") with the collaboration of disloyal UniCredit S.p.A. employees came to an end in May 2013 with an unexpected exculpatory ruling (no case to answer). This ruling was appealed by the Public Prosecutor and by UniCredit S.p.A. Currently two lawsuits are pending for compensation claims against UniCredit S.p.A.:

- the first filed in June 2014 by the Mazza notary in the Court of Rome, demanding from UniCredit S.p.A. compensation for damage allegedly suffered following the criminal complaint brought by the former Banca di Roma S.p.A. The plaintiff makes use of the exculpatory ruling in the

criminal proceedings to claim a traumatic experience with repercussions on their health, marriage, social and professional life, with financial, moral, existential and personal injury damages of approximately €15 million; and

- the second filed in March 2016 by Como S.r.l. and Camillo Colella in the Court of Rome, demanding damages from UniCredit S.p.A. in the amount of approximately 379 million. Similarly to the Mazza notary, the plaintiffs complain that the initiatives of the former Banca di Roma S.p.A. in the criminal and civil proceedings, caused financial, moral, existential and personal injury damages to Camillo Colella, as well as damages for the loss of important commercial opportunities, as well as image, reputational and commercial damage to Como S.r.l.

In UniCredit S.p.A.'s view, these lawsuits currently appear to be unfounded and are at the pre-trial stage. UniCredit S.p.A. has made a provision it deems consistent to cover the risk resulting from unlawful credit transactions, which is essentially equal to the residual credit of UniCredit S.p.A.

#### *Gruppo Di Mario*

At present, nine lawsuits are pending: one claw-back action pending in the first instance and other eight damage/ordinary claw-back claims for a total amount of €157.1 million (the last two claims for approximately €29.5 million were notified in December 2016), which allege that UniCredit S.p.A. (together with other banks) facilitated debt restructuring agreements aimed at sterilising the risk of possible claw-back actions and obtaining privileges.

Four of these lawsuits are in the preliminary stages (with the first hearings set, respectively, for the end of January 2017, in March 2017 and April 2017), two at the pre-trial stage (in particular: (i) in the first lawsuit, at the appearance hearing, the judge reserved on the pre-trial claims; and (ii) in the second lawsuit, the judge requested an expert opinion and scheduled the hearing for the filing of the expert opinion for the end of February 2017), and three have been decided: (i) one with judgment of October 2016 rejecting the plaintiff's claims; (ii) one with a unfavorable decision served on January 3, 2017, to be appealed by UniCredit which considers the reasoning of the decision to be objectionable under several aspects; (iii) the last one on January 17, 2017, with judgment rejecting all plaintiff's claims.

UniCredit S.p.A. considers these damage/ordinary claw-back claims to be groundless. UniCredit has made a provision for an amount that it deems appropriate to handle the risks of one lawsuit.

#### *Disposal by Nuova Compagnia di Partecipazioni S.p.A. ("NCP") of the business "oil"*

With reference to the disposal by Nuova Compagnia di Partecipazioni S.p.A., formerly Italtipetroli S.p.A., ("NCP") of the "oil" business closed on 28 November 2014, the buyer Ludoil Energy S.r.l. ("Ludoil") had brought claims pertaining to:

- the amount of working capital as of the date of disposal, requiring to integrate it;
- alleged environmental issues related to the plants of the entities disposed, considering insufficient the related provisions recognised before the disposal and objecting the legal effectiveness of the agreements.

NCP obtained a legal opinion confirming that, at this stage, there are no elements to make an assessment on a probable or even possible potential liability that could arise from the claims brought by Ludoil in relation both to the validity of the contract and the "replenishing of the investments occurred".

In addition, during 2015, NCP appointed a group of experts on environmental matters and an independent accountant, in order to express an opinion on the appropriateness of the financial statements of the related provisions, including their quantification. Both opinions confirmed that the requests of Ludoil are unfounded.

Ludoil sent a letter dated February 1, 2016 through its legal advisors, and by repeating the claims previously brought, asked for the cancellation of the original disposal contract. On this last request, the legal advisor appointed by NCP issued an opinion confirming that it is reasonable for UniCredit S.p.A. to consider unfounded the requests of cancellation of the disposal contract.

In March 2016, SO.DE.CO S.r.l., controlled by Ludoil, filed a damage claim for approximately €94 million against the NCP former directors, NCP, UniCredit S.p.A. and others: the former directors for having, *inter alia*, allegedly breached their duties in the preparation and revision of the annual accounts between 2010 and 2013, and NCP and UniCredit S.p.A., in their respective capacities as controlling entity and managing and coordinating entity, for having allegedly breached the principles of sound corporate management. The case is in the pre-trial stage and the next hearing is set for March 2017.

#### *Criminal proceedings*

The UniCredit group and its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as UniCredit S.p.A. is aware, are under investigation by the competent authorities who are ascertaining whether there are possible liabilities of UniCredit S.p.A.'s representatives with regard to various cases linked to banking transactions, including, specifically, in Italy, investigations related to checking any liability profiles in relation to the offence pursuant to Article 644 (usury) of the Criminal Code.

At present, these criminal proceedings have not had significant negative impacts on the operating results and capital and financial position of UniCredit S.p.A. and/or the Group, however there is a risk that if UniCredit S.p.A. and/or other UniCredit group companies or their representatives (including those no longer in office) were to be convicted following the confirmed violation of laws prosecutable by criminal law this situation could have an impact on the reputation of UniCredit S.p.A. and/or the UniCredit group.

For the sake of completeness, note that, on October 13, 2016, the Public Prosecutor of the Court of Tempio Pausania informed UniCredit S.p.A. of a notice pursuant to Article 415-bis (*notice of the conclusion of the preliminary investigations*) pursuant to the Code of Civil Procedure as the party responsible for the administrative offence set out in Article 24-ter of Legislative Decree 231/2001 as a result of offences contested by the former representatives of the Banca del Mezzogiorno – MedioCredito Centrale S.p.A. ("MCC"), later renamed "Capitalia Merchant S.p.A.", then "UniCredit Merchant S.p.A." and then merged by incorporation into UniCredit S.p.A., as well as Sofipa SGR S.p.A. and Capitalia S.p.A. (then merged by incorporation into UniCredit S.p.A.).

## Part E - Information on risks and hedging policies

The offences being investigated are those pursuant to Articles 5 and 11 of Legislative Decree 74/2000 (*offences involving income tax and VAT*), Article 416 of the Criminal Code (*conspiracy*) and Article 318 of the Criminal Code (*corruption of a public official*).

The main proceedings RGNR 207/15 brings together three other separate ones (RGNR 608/16 – 375/15 and 2658/15) whereby UniCredit S.p.A. was only previously aware of 2658/15.

The offences being investigated with regard to the former representative of Capitalia S.p.A. are those pursuant to Article 110 of the Criminal Code (*participation in the crime*) and Articles 5 and 11 of Legislative Decree 74/2000.

The investigation concerns a complex case involving UniCredit S.p.A. as the successor of MCC, relating to shareholdings owned by the above-mentioned MCC in the group for which Colony Sardegna S.à r.l. is the parent company. The directors of this company are charged with decisions concerning financial transactions which resulted in capital gains on behalf of third-party companies and to the detriment of the company managed, as well as failures to declare IRES income; the charges involving UniCredit S.p.A. refer to the years 2003/2011 (in May 2011 UniCredit Merchant S.p.A. actually sold its shareholding).

### C. Risks arising from employment law cases

UniCredit S.p.A. is involved in employment law disputes. In general, provisions have been made for all employment law disputes to cover any potential disbursements and in any event UniCredit S.p.A. does not believe that any liabilities related to the outcome of the pending proceedings could have a significant impact on its economic and/or financial standing.

#### *Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund*

Lawsuits have been brought against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund. These lawsuits, having been won in earlier proceedings by UniCredit, hang on appeal cases brought before the relevant Courts of Appeal and the Court of Cassation (as applicable) in which the main claim is a request that the funding levels of the former Cassa di Risparmio di Roma Fund be restored and that the individual social security accounts of each member be assessed and quantified. With reference to the main claim, the relief sought is estimated at €384 million. No provisions were made as these actions are considered to be unfounded.

### D. Risks arising from tax disputes

In the previous financial statements, information was given on the servicing of a tax assessment notice relative to tax year 2009, relating to the alleged non-payment of withholding taxes on interest paid in relation to debt instruments issued to strengthen capital, with total taxes and ancillary expenses of approximately €40 million. The dispute was settled on May 18, 2015 through a tax settlement proposal for a total amount of €17.7 million. The dispute was settled by paying only the claimed taxes and interest, without applying penalties as the Italian Revenue Agency expressly recognized the company's actions in good faith. Provisions of €17.6 million were booked in 2014 for this claim.

In addition, during 2015 a tax audit report was served by the Italian Financial Police alleging the same violation referred to in the paragraph above, also for tax year 2010. Before the notice of assessment was serviced, the dispute was settled according to the same criteria used in 2009, through a tax settlement proposal, by paying €17.8 million. Also in this case provisions were booked for an amount equal to the higher tax challenged.

With reference to the fiscal years 2011-2014, on April 6, 2016, the Tax Authorities have served a tax audit report requesting the payment of allegedly omitted withholding tax for a total amount of €11.9 million. The company filed a settlement proposal for the fiscal year 2011 and a provision equal to the higher tax claimed has been booked (€11.9 million).

The litigation regarding 2011 has been settled out of court by means of the payment of €6.8 million (€5.8 million for taxes and €1 million for interest). The litigations regarding 2012, 2013 and 2014 have been settled out of Court on March 2017, by paying a total amount of €6.6 million (€5.9 million for higher taxes, €0.7 million for interest). Also for the years from 2011 to 2014 no penalties have been applied since the Tax Authorities expressly recognized the company's actions in good faith.

#### *New pending cases*

During 2016 UniCredit S.p.A. together with a number of Group Companies was served with several notices of assessment. The matters of particular significance include those served with regard to:

- registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", for €6.3 million. The company has promptly submitted an appeal against the last notice served. Therefore, the total amount of the notices of assessment served with reference to these rulings which, as of December 31, 2015, amounted to € 23.3 million, as of December 31, 2016 amounts to € 29.6 million. Nearly all the litigations pending have been decided by the first degree Tax Court, except the one relating to the last notice of assessment served, and the decisions are partially favorable to the company. For all the notices served, the litigation is still pending;
- registration tax, plus interest and penalties, for a total amount of €7 million, requested after the first degree decisions referred to in the previous paragraph. A claim has been filed with the Tax Court and the decision has been partially favorable to the company. The legal term for the appeal to the second degree Tax Court is pending;
- on July 21, 2016, a tax audit report has been notified to the company UniCredit Business Integrated Solutions S.C.p.A. with reference to the years 2011 and 2012. Following the tax audit, UniCredit Business Integrated Solutions S.C.p.A. has been served with two notices of assessment relating to 2011 for the purposes of IRES and IRAP. The total amounts assessed are equal to €10.2 million (higher taxes €5.2 million, penalties €4.1 million, interest €0.9 million). The company has decided to request an out of Court settlement.
- on September 29, 2016, UniCredit Leasing S.p.A. has been served with a tax audit report relating to 2011 and 2012 for the purposes of IRES, IRAP and VAT. Following the tax audit, UniCredit Leasing S.p.A. has been served with a notice of assessment relating to 2011 for the purposes of

IRAP and VAT. The total amounts assessed are equal to €21.2 million (€7.3 million for IRAP and VAT taxes, €12.5 million for penalties and € 1.4 million for interest). The Company has filed a claim with the Tax Court.

- on October 10, 2016, a tax audit report has been notified to UniCredit Bank A.G. – Milan branch with which Italian Tax Authorities have challenged allegedly omitted withholding taxes on income from capital for €0.2 million. Following the tax audit, Italian Tax Authorities has served on UniCredit Bank A.G. – Milan branch a request pertaining to the transactions challenged. UniCredit Bank A.G. has filed its response within the term indicated by the Tax Authorities.

#### *Updates on pending proceedings and tax audits*

In the previous year's financial statements, notices of assessment were reported mainly referred to substitute tax on loans. The company has promptly submitted appeals to the competent Tax Courts and at the same time submitted a request for administrative cancellation to the Tax Authorities. As of December 31, 2016, the total amount of the notices canceled is equal to €15 million.

Moreover, in the first half of 2016 many litigations have been settled out of Court. In particular:

- the litigation regarding Pioneer Investment Management SGR S.p.A. (and UniCredit S.p.A. as the consolidating entity) for the years 2008, 2009, 2010, 2011, 2012 have been settled out of Court, without applications of administrative penalties since the Tax Authorities have recognized the correct application of the transfer pricing documentation regime. In particular, for the purposes of the out of Court settlement, Pioneer Investment Management SGR S.p.A. has paid, for IRES purposes, a total amount of €39.7 million (€32.9 million for tax and € 6.8 million for interest). The outcome of the negotiations are in line with the settlements relating to the previous fiscal years (2006, 2007).
- all the litigations regarding the alleged non-deductibility of goodwill amortization arising from group reorganizations carried out in 2001, regarding the company UniCredit Xelion Banca S.p.A. and, subsequently, UniCredit S.p.A. and FinecoBank S.p.A., have been settled. The aforementioned litigations refer to the fiscal years from 2004 to 2011. The settlement caused a total cost of €2.3 million, wholly borne by UniCredit S.p.A., referred only to higher IRES tax, plus interest. Also in this case Tax Authorities did not apply any administrative penalties having expressly recognized the company's actions in good faith and, in addition, have canceled all the challenges relating to IRAP tax;
- litigations started by Finecobank S.p.A. (and referred also to UniCredit S.p.A. as the consolidating entity) regarding certain allegedly non-deductible expenses suffered in connection to its financial promoters for the years 2009, 2010 e 2011, have been settled. In comparison to a request of €2 million (referred only to higher IRES tax), the company settled the litigations by paying a total amount of €0.6 million (referred to higher tax, interest and penalties);
- the litigation regarding UniCredit Factoring S.p.A. (and UniCredit S.p.A. as the consolidating entity) for IRES 2010 has been settled out of Court for a total amount of €3.9 million in comparison to a request of €6.3 million;
- the notice of assessment served on UniCredit S.p.A. and on UniCredit Business Integrated Solutions S.C.p.A. for the purposes of registration tax, with reference to the sale of a business unit, has been settled by means of the payment of €0.4 million in comparison to a request of €0.8 million.
- UniCredit Bank A.G. – Milan Branch has settled the litigation regarding IRES 2007, arising from challenges relating to its endowment capital and to foreign tax credits, by means of the payment of €2.1 million, in comparison to a request of €23.6 million.
- Finally, the litigation regarding higher mortgage registration and Land Register taxes for 2013 relating to UniCredit S.p.A., arising from disputes over the calculation of the value of a building purchased in 2013, for a total amount of €0.2 million for taxes and interest, has been settled out of Court for a total amount of €0.05 million.

As of December 31, 2015, the total amount of provisions for risks relating to tax litigations and tax audits amounted to €84 million. As of December 31, 2016, the provisions amount to €96 million.

#### **E. Carlo Tassara S.p.A. restructuring process**

On December 23, 2013 Carlo Tassara ("Tassara") and the creditor banks signed the third amendment agreement on the moratorium on debt payments.

The purpose of this transaction is to allow the company to better enhance certain assets under disposal, whose proceeds will be used to pay its financial debts.

The main terms and conditions of the Amendment Agreement include:

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

## Part E - Information on risks and hedging policies

- 5) the commitment of the creditor banks to converting into SFP the residual credits that should remain in place after the disposal of all the available-for-sale assets of Carlo Tassara;
- 6) the business continuity of Carlo Tassara will be ensured by enterprises with historical links with the Valcamonica area.

The existing collateral (pledge on Intesa Sanpaolo, Eramet and Cattolica Assicurazioni shares) remained in place after the signing of the above-mentioned agreements. On December 27, 2013, following the fulfillment of the conditions precedent to the effectiveness of the third amendment agreement, the banks subscribed the SFP worth €650 million.

UniCredit subscribed for 63,131,974 SFP with a nominal value of €1.00 each and totaling €63 million, issued by Tassara pursuant to the resolution of the Extraordinary Meeting of December 23, 2013, and agreed to contemporaneously pay up these SFP by voluntarily offsetting a portion of its loans (nominal value) to Tassara totaling €63 million, reducing the Bank's overall exposure to Tassara.

As a result of the above-mentioned offsetting, part of the Bank's loans to Tassara (€63 million) was paid off and the Company's outstanding debts to the Bank decreased, with effect from December 27, 2013, by €63 million.

On December 23, 2013, in compliance with the governance provisions, the members of Carlo Tassara S.p.A.'s new Board of Directors were appointed.

Overall, therefore, the proceeds received during 2014 by Carlo Tassara S.p.A. as a result of collections made (for securities and dividends), amounted to about €853 million.

In 2015 Tassara sold listed securities (pledged and not pledged as collateral) and collected dividends worth approximately €459 million, which include the proceeds from the sale of 25.3% of the shareholding of Alior Bank SA, pursuant to the agreement concluded with PZU subscribed in May 2015. The sale – carried out in three stages – was concluded at the beginning of April 2016.

In 2016 the disposal of the portfolio securities allowed Carlo Tassara S.p.A. to get a revenue of approximately €220 million, of which €190 million realized through the disposal of the Eramet securities held by the subsidiary Carlo Tassara France S.A. to the creditor banks, against a debt compensation of the same amount. On December 16, 2016 when subscribing the disposal agreement, the creditor banks signed a commitment aimed at converting the residual loans in additional SFPs, should certain conditions precedent not be fulfilled.

In light of these agreements and following the realized disposal activities, UniCredit S.p.A. credit exposure at December 31, 2016 amounted to approximately €3 million gross (fully written-off), which was a significant reduction compared to the exposure of €91 million gross at the end of 2015 (for which write-downs amounting to €13 million had been made). It should also be noted that following the abovementioned operation occurred in the fourth quarter of 2016, UniCredit S.p.A. holds 1,080,000 Eramet S.A. shares (with an investor's share of 4.07%) recognized based on the published price quotation worth approximately €61 million. For the purpose of providing complete information, it should be noted that as at December 31, 2016 UniCredit S.p.A. also holds overall 32,184,744 SFPs issued by Carlo Tassara S.p.A., each with a nominal value of €1.00.

### **F. Other claims by customers**

Supporting the business structures, the Compliance function oversees the regulatory environment evolution related to banking services and products in areas like transparency, financial services and anti-usury. Compliance as control function develops rules, check processes and procedures and monitor complaints trends.

Considering the regulatory complexity and interpretations not always homogeneous, the Bank carried out the proper alignment activities of the support technical functionalities, following which the proper actions were determined in 2016, keeping the existence of a provision for risk aimed at facing potential costs, which recorded an increase of the litigiousness at banking system level.

The trend in market interest rates resulted in the main benchmark reference for indexed loans and in particular for mortgages due from private customers, the Euribor, being negative. This has originated the issue of how to measure the overall interest rate for the clients, creating a fact pattern not existing so far. In light of such complexity, the underlying contracts with clients were subject to a deep monitoring. In this regard, and in compliance with the regulations in force, the Bank took the necessary initiatives in 2016, also allocating a provision for risks according to the likelihood of disbursement.

## Quantitative information

Detailed below is the percentage composition, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the New Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2006 (Circular No.263) and in successive updates.

The major categories are as follows:

- internal fraud: losses owing to unauthorized activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and professional practices: losses arising from non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

DISTRIBUTION PER RISK EVENT TYPE	PERCENTAGE
Clients	75.18%
Executions	14.30%
External fraud	4.20%
Internal fraud	3.21%
Employment practices	2.77%
IT systems	0.22%
Asset damages	0.12%
<b>Total</b>	<b>100.00%</b>

In 2016, the main source of operational risk was "Clients, products and professional practices", a category which includes losses arising from the non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided. The second largest contribution to losses came from "Executions", i.e. execution, delivery and management of processes arising from weaknesses in the fine-tuning of activities or in the management of processes.

In decreasing order of total impact, losses for external fraud, internal fraud, legal and labor disputes have been booked. Losses on asset damages and IT failures represents the residual part of operational risk.





## Part F - Shareholders' Equity

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## Part F - Shareholders' Equity

### Section 1 - Shareholders' Equity

#### A. Qualitative information

In order to create value for shareholders, UniCredit S.p.A. attributes a crucial role to capital management and allocation on the basis of the risk assumed for the Group operational development in order to create value. These activities are part of the Bank planning and monitoring process and comprise:

- planning and budgeting processes:
  - proposals to risk propensity and capitalisation objectives;
  - analysis of risk associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group's value and the creation of value for shareholders;
  - preparation and proposal of the capital plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of management reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and individual companies.

The Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate extra income measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return).

The Group capital plays a crucial role in the main corporate governance processes that drive to strategic decisions. It is considered the key factor of the planning process as, on one hand it represents the shareholders' investment which needs to be adequately remunerated, and on the other hand it is a scarce resource subject to external constraints set by banking regulation.

The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.

The purpose of the capital management function, performed by the Capital Management unit within Planning and Capital Management Department, is to define the target level of capitalisation for the Group and its companies in line with regulatory requirements and the risk appetite.

Capital is managed dynamically: the Capital Management unit prepares the capital plan, monitors capital ratios for regulatory purposes.

On the one hand, monitoring is carried out in relation to capital, both according to accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital), and on the other hand, in relation to the planning and performance of risk-weighted assets (RWA).

The dynamic management approach aims at identifying the capital instruments (ordinary shares and other capital instruments) most suitable for achieving the defined targets. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their efficiency are measured using RAPM methodology (Risk Adjusted Performance Management).

The Strategic Plan presentation is available in the Group site, at the following link:  
[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/it/press-and-media/price-sensitive/2016/CS\\_2016StrategicPla\\_Ita13.12.16.pdf.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/it/press-and-media/price-sensitive/2016/CS_2016StrategicPla_Ita13.12.16.pdf.pdf).

## B. Quantitative information

Further information about Shareholders' Equity of UniCredit S.p.A. are represented in Part B) Section 14 - Shareholders' Equity - Items 130,150,160,170,180,190 and 200.

### B.1 Company Shareholders' Equity: breakdown

(€ '000)

ITEMS/VALUES	AMOUNT AS AT	
	12.31.2016	12.31.2015
<b>1. Share capital</b>	<b>20,846,893</b>	<b>20,257,668</b>
<b>2. Share premium reserve</b>	<b>14,384,918</b>	<b>15,976,604</b>
<b>3. Reserves</b>	<b>5,828,366</b>	<b>8,753,683</b>
- from profits	3,152,799	3,676,690
a) legal	1,517,514	1,517,514
b) statutory	840,018	1,217,304
c) treasury shares	-	-
d) other	795,267	941,872
- other (*)	2,675,567	5,076,993
<b>4. Equity instruments</b>	<b>2,383,463</b>	<b>1,888,463</b>
<b>5. Treasury shares</b>	<b>(2,440)</b>	<b>(2,440)</b>
<b>6. Revaluation reserves</b>	<b>716,181</b>	<b>1,092,028</b>
- Available-for sale financial assets	643,991	915,911
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	6,677	121,253
- Exchange differences	-	-
- Non-current assets classified held for sale	-	-
- Actuarial gains (losses) on defined benefit plans	(211,507)	(222,156)
- Changes in valuation reserve pertaining to equity method investments:	-	-
- Special revaluation loans	277,020	277,020
<b>7. Net profit (loss)</b>	<b>(11,460,133)</b>	<b>(1,441,449)</b>
<b>Total</b>	<b>32,697,248</b>	<b>46,524,557</b>

(\*) "Reserves - other" include the "Reserve of treasury shares" (2,440 thousand), originally formed with the withdrawal from the "Share premium reserve", as well as a part of the "Legal reserve" (2,683,391 thousand) also constituted, as resolved by the approval of the Ordinary Shareholders' Meeting of May 11, 2013, May 13, 2014 and of April 14, 2016 with the withdrawal from the "Share premium Reserve".

The Shareholders' Equity as at December 31, 2016 in addition to the free capital increases - explained in details in Part B - Section 14 "Shareholders' Equity" - consisting of €40,674 thousand carried out through a withdrawal from the specifically constituted reserve related to the medium-term incentive program for the Group staff and of €548,551 thousand for the payment of the "Script dividend" for 2015 through the withdrawal from the existing reserves from profits, also reflected the changes resulting from the Ordinary Shareholders' Meeting resolutions of April 14, 2016 which brought to:

1. coverage of the loss for the financial year 2015 of €1,441,449 thousand from the "share premium reserve";
2. allocation to the Legal Reserve of an amount of €150,238 thousand, taken from the "share premium reserve".

In addition, during 2016 UniCredit S.p.A. issued Additional Tier 1 instruments for a total amount of €495,000 thousand net of transaction costs, whose characteristics are described in Section 2 – Own funds and banking regulatory ratios.

## Part F - Shareholders' Equity

## B.2 Revaluation reserves for available-for-sale assets: breakdown

(€ '000)

ASSETS/VALUES	AMOUNT AS AT 12.31.2016			AMOUNT AS AT 12.31.2015		
	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	653,159	(63,882)	589,277	850,085	(40,034)	810,051
2. Equity securities	61,057	-	61,057	109,241	(3,522)	105,719
3. Units in investment funds	2,773	(9,116)	(6,343)	7,541	(7,400)	141
4. Loans	-	-	-	-	-	-
<b>Total</b>	<b>716,989</b>	<b>(72,998)</b>	<b>643,991</b>	<b>966,867</b>	<b>(50,956)</b>	<b>915,911</b>

## B.3 Revaluation reserves for available-for-sale assets: annual changes

(€ '000)

ASSETS/VALUES	CHANGES IN 2016				
	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
<b>1. Opening balance</b>	<b>810,051</b>	<b>105,720</b>	<b>140</b>	<b>-</b>	<b>915,911</b>
<b>2. Positive changes</b>	<b>357,264</b>	<b>21,877</b>	<b>881</b>	<b>-</b>	<b>380,022</b>
2.1 Fair value increases	253,772	17,313	379	-	271,464
2.2 Reclassification through profit or loss of negative provision	100,705	3,522	502	-	104,729
- due to impairment	60	3,522	502	-	4,084
- following disposal	100,645	-	-	-	100,645
2.3 Other changes	2,787	1,042	-	-	3,829
<b>3. Negative changes</b>	<b>578,038</b>	<b>66,540</b>	<b>7,364</b>	<b>-</b>	<b>651,942</b>
3.1 Fair value reductions	336,777	178	5,392	-	342,347
3.2 Impairment losses	544	11,063	1,970	-	13,577
3.3 Reclassification through profit or loss of positive allowances: following disposal	239,929	55,299	2	-	295,230
3.4 Other changes	788	-	-	-	788
<b>4. Closing balance</b>	<b>589,277</b>	<b>61,057</b>	<b>(6,343)</b>	<b>-</b>	<b>643,991</b>

## B.4 Revaluation reserve on defined benefit obligations: annual changes

(€ '000)

	CHANGES IN	
	2016	2015
<b>1. Net opening balance</b>	<b>(222,157)</b>	<b>(268,389)</b>
<b>2. Positive changes</b>	<b>57,889</b>	<b>48,349</b>
2.1. Fair value increase	57,889	48,349
2.2 Other changes	-	-
<b>3. Negative changes</b>	<b>47,240</b>	<b>2,116</b>
3.1 Fair value reductions	47,240	1,903
3.2 Other changes	-	213
<b>4. Closing balance</b>	<b>(211,508)</b>	<b>(222,156)</b>

## Section 2 - Own funds and regulatory ratios

### 2.1 Own Funds

#### A. Qualitative information

Starting from January 1st, 2014, the calculation of capital requirements keeps into account the regulatory framework known as "Basel 3", adopted as a result of the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – "CRR") and in the EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive 4 – "CRD 4"), also according to their adoption by Italian Laws.

Such regulation foresees the following breakdown of Own Funds:

- Tier 1 Capital (T1), made by:
  - Common Equity Tier 1 Capital (CET1) and
  - Additional Tier 1 Capital (AT1);
- Tier 2 Capital (T2);
- the sum of T1 and T2 generates the Total Own Funds (Total Capital).

#### Transitional Own Funds

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

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

#### Loss of the period

The loss of 2016, equal to €11,460 million, is entirely deducted from Common Equity Tier 1 according to CRR article 36(1)(a).

#### Stake in Bank of Italy's capital

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

#### Atlante Funds

The regulatory treatment of the quotes held by UniCredit in the Atlante Fund is based on the application of the look-through method to the underlying investments, specifically the stakes indirectly held in Banca Popolare di Vicenza and Veneto Banca are classified as non-significant holdings in financial sector entity, according to the provisions set by EU Regulation 2015/923.

With reference to the commitment held by UniCredit towards Atlante Fund and Atlante Fund II, the regulatory treatment foresees, as of December 31, 2016, the application of a Credit Conversion Factor equal to 100% ("full risk" according to the Annex I of CRR).

#### Unrealized gains and losses related to exposures towards Central Administrations classified as Available for Sale – AFS

Until September 30, 2016, with reference to the contents of Bank of Italy Bollettino di Vigilanza n.12 issued on December 2013 related to the transitional provisions on Own Funds for unrealized gain and losses associated to exposures towards Central Administrations classified in the IAS39 category "Available For Sale - AFS", UniCredit S.p.A. exercised the option contained in Bank of Italy Circular n.285 ("Disposizioni di vigilanza per le banche", Part 2, Chapter 14, Section II, Paragraph 2) for the calculation of its Consolidated and Individual Own Funds for UniCredit S.p.A. Accordingly, starting from March 31, 2014 reporting period and in coherence with previous periods, UniCredit S.p.A. (for those securities issued by EU Central Administration classified in the portfolio "Available for Sale - AFS") excludes from Own Funds the unrealized gains and losses related to exposures towards EU Central Administration classified in the IAS39 category "Available for Sale - AFS", taking into account the provisions contained in the CRR Article 467.

## Part F - Shareholders' Equity

According to EU Regulation 2016/445, as confirmed by Bank of Italy communication issued on January 23, 2017, starting from October 1, 2016 (hence, with December 31, 2016 as first applicable regulatory reporting date), a transitional adjustment equal to 40% is applied to unrealized gains on AFS securities issued by EU countries' Central Administrations. Their regulatory treatment (a fully neutralization from Own Fund was previously applied) is now aligned to the other AFS securities; therefore, as of December 31, 2016 gains on securities issued by EU countries' Central Administrations are included in Common Equity Tier 1 for 60%.

### 1. Common Equity Tier 1 Capital – CET1

Common Equity Tier 1 Capital mainly includes the following elements:

- Main Common Equity Tier 1 Capital items, recognised as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur: (I) capital instruments, provided the conditions laid down in CRR Article 28 or, where applicable, Article 29 are met (e.g. ordinary shares); (II) share premium accounts related to the instruments referred to in point (I); (III) retained earnings; (IV) accumulated other comprehensive income; (V) other reserves.
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in its equity under the applicable accounting framework that results from securitized assets; (II) filter related to the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value; (III) filter related to gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution; (IV) filter related to all fair value gains and losses arising from the institution's own credit risk related to derivative liabilities; (V) filter related to additional value adjustments (prudent valuation).
- Deductions from Common Equity Tier 1 items: (I) intangible assets; (II) deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences; (III) negative amounts resulting from the calculation of expected loss amounts when compared with credit risk adjustments (shortfall) for those positions evaluated according to IRB methods; (IV) defined benefit pension fund assets on the balance sheet of the institution; (V) direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation; (VI) exposures deducted from CET1 as an alternative to the application of 1,250% risk weight; (VII) the applicable amount of direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation); (VIII) deferred tax assets (DTA) that rely on future profitability and arise from temporary differences, and the applicable amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation).

As of December 31, 2016 Common Equity Tier 1 includes ordinary shares issued by UniCredit S.p.A, equal to €20,229 million.

The item includes neither the amount related to Cashes<sup>14</sup> (€609 million) reclassified within Additional Tier 1 Capital, nor Saving Shares and share premium referred to Saving Shares reclassified within Tier 2 Capital (€17 million).

### 2. Additional Tier 1 Capital - AT1

The main Additional Tier 1 Capital elements are the following: (I) capital instruments, where the conditions laid down in CRR Article 52(1) are met; (II) the share premium accounts related to the instruments referred to in point (I); (III) capital instruments for the amount computable in Own Funds according to the transitional provisions foreseen by CRR (grandfathering).

The ordinary shares underlying to the "Cashes" transaction, equal to €609 million, are included in Additional Tier 1 Capital.

On December 14, 2016, with value date December 21, 2016, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in EUR, for a total of €500 million with characteristics compliant with the "CRD IV" regulation in force starting from January 1, 2014. The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after ca. 5.5 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 9.25% per annum for the initial 5.5 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 930 bps. The notes were allocated to institutional investors, based in the main financial European venues (UK and France, etc.).

The coupon payment is fully discretionary. The notes have a 5.125% Common Equity Tier 1 (CET1) trigger. If the Group or Issuer CET1 at any time falls below the trigger level, the instrument will be temporarily written down to cure the breach, taking into consideration other instruments with similar write down triggers.

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

## Financial instruments included in Additional Tier 1 Capital

SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING)	ISSUER	UNIQUE IDENTIFIER <sup>(1)</sup>	COMPUTABLE CRR AMOUNT (€/MLN) <sup>(2)</sup>	NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN)	CURRENCY	MATURITY DATE	OPTIONAL CALL DATE	FIXED OR FLOATING DIVIDEND / COUPON	COUPON RATE AND ANY RELATED INDEX	CONVERTIBLE OR NON-CONVERTIBLE	WRITE-DOWN FEATURES	POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION <sup>(3)</sup>
yes	UNICREDIT SPA	XS0527624059	211	500	EUR	No maturity	21.07.2020	Fixed to Floating	9.375% from issue date to 07.21.2020, equivalent to MS + 6.49%; Euribor 3M + 7.49% from 07.21.2020	Non convertible	yes	Tier 2
no	UNICREDIT SPA	XS1046224884	898	1,250	USD	No maturity	03.06.2024	Fixed	8% p.a. until 06.03.2024; thereafter fixed every 5 years for 5-Year Mid-Swap Rate + 518bps	Non convertible	yes	Tier 2
no	UNICREDIT SPA	XS1107890847	991	1,000	EUR	No maturity	10.09.2021	Fixed	6.75% p.a. until 10.09.2021; thereafter fixed every 5 years for 5-Year Mid-Swap Rate + 610bps	Non convertible	yes	Tier 2
no	UNICREDIT SPA	XS1539597499	495	500	EUR	No maturity	03.06.2022	Fixed	9.25% p.a. until 3/06/2022; thereafter fixed every 5 years for 5-year Mid-Swap Rate + 930bps	Non convertible	yes	Tier 2

### Notes

(1) Please note that ISIN Guidelines (paragraph 7) states that "banking instruments or facilities such as bank loans are outside of the scope of the ISO-6166 standard and should not be identified by ISIN codes". Hence, the present section shows an internal identification code for those instruments classified as "Loans".

(2) The write-up mechanisms described are aligned with the original Final Terms & Conditions; therefore, the classification of instruments is coherent with the regulatory framework in force at the issuance date.

## Part F - Shareholders' Equity

### 3. Tier 2 Capital - T2

The main Tier 2 Capital elements are the following: (I) capital instruments and subordinated loans where the conditions laid down in CRR Article 63 are met; (II) the share premium accounts related to instruments referred to in point (I); (III) possible surplus of credit risk adjustments with reference to expected losses for positions evaluated according to IRB methods; (IV) capital instruments and subordinated loans for the amount computable in Own Funds according to the transitional provisions foreseen by CRR (grandfathering).

Own Funds as of December 31, 2016 do not include Tier 2 instruments having a contractual amortization plan in line with regulatory rules stated by CRR Article 63; while they includes, according to CRR Article 484(5) among grandfathered instruments, the amount of such instruments issued before December 31, 2011 and subject to the grandfathering provisions.

Saving shares and related share premium are included in Tier 2 Capital for a total amount of €17 million.

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

#### Tier 2 instruments included in Tier 2 Capital

SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING)	ISSUER	UNIQUE IDENTIFIER <sup>(1)</sup>	COMPUTABLE CRR AMOUNT (€/MLN) <sup>(2)</sup>	NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN)	CURRENCY	MATURITY DATE	OPTIONAL CALL DATE	FIXED OR FLOATING DIVIDEND / COUPON	COUPON RATE AND ANY RELATED INDEX	CONVERTIBLE OR NON-CONVERTIBLE	WRITE-DOWN FEATURES	POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION <sup>(3)</sup>
no	UNICREDIT SPA	XS0322918565	140	1,000	EUR	26.09.2017	-	Fixed	5.75% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0332831485	31	171	EUR	04.12.2017	-	Floating	Max between 5.14% and 100% of swap Euro 10 y	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0334815601	19	100	EUR	11.12.2017	-	Floating	Minimum between 11% and 113.5% of swap Euro 10 y	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0348222802	110	125	EUR	03.03.2023	-	Fixed	6.04% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0356063940	4	15	EUR	10.04.2018	-	Floating	Max between 5.535% and 10 y Euro CMS	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0356629369	26	100	EUR	24.04.2018	-	Floating	Max between 5% and 10 y Euro CMS + 0.67%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0367777884	200	1,000	EUR	05.06.2018	-	Fixed	6.70% p.a.	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0372227982	37	125	EUR	25.06.2018	-	Floating	Euribor 6M + 1.7%	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0503612250	43	50	EUR	21.04.2021	-	Fixed	5% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0504566414	50	50	EUR	25.04.2022	-	Fixed	5.05% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0503708280	33	50	EUR	26.04.2020	-	Fixed	4.75% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004605074	221	333	EUR	31.05.2020	-	Fixed	05.31.2011: 3.00%; 05.31.2012: 3.25%; 05.31.2013: 3.50%; 05.31.2014: 3.75%; 05.31.2015: 4.00%; 05.31.2016: 4.40%; 05.31.2017: 4.70%; 05.31.2018: 5.07%; 05.31.2019: 5.40%; 05.31.2020: 6.00%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0515754587	35	50	EUR	14.06.2020	-	Fixed	5.16% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004615305	29	327	EUR	14.06.2017	-	Fixed	06.14.2011: 3.00%; 06.14.2012: 3.25%; 06.14.2013: 3.50%; 06.14.2014: 3.80%; 06.14.2015: 4.10%; 06.14.2016: 4.40%; 06.14.2017: 4.70%	Non Convertible	no	Senior



SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING)	ISSUER	UNIQUE IDENTIFIER (1)	COMPUTABLE CRR AMOUNT (€MLN) (2)	NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN)	CURRENCY	MATURITY DATE	OPTIONAL CALL DATE	FIXED OR FLOATING DIVIDEND / COUPON	COUPON RATE AND ANY RELATED INDEX	CONVERTIBLE OR NON-CONVERTIBLE	WRITE-DOWN FEATURES	POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (3)
yes	UNICREDIT SPA	IT0004698418	112	464	EUR	31.03.2018	-	Fixed to Floating	5.00% p.a. from 06.30.2011 to 03.31.2013; from 06.30.2013 Euribor 3M + 1% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004698426	183	759	EUR	31.03.2018	-	Fixed	03.31.2012: 4.10%; 03.31.2013: 4.30%; 03.31.2014: 4.50%; 03.31.2015: 4.70%; 03.31.2016: 4.90%; 03.31.2017: 5.05%; 03.31.2018: 5.10%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0618847775	493	750	EUR	19.04.2021	-	Fixed	6.125% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004723927	112	394	EUR	30.06.2018	-	Fixed to Floating	5% p.a. until 06.30.2013; from 09.30.2013 Euribor 3M + 1% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004740368	6	20	EUR	05.07.2018	-	Floating	Euribor 3M + 2.50% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0849517650	1,494	1,500	EUR	31.10.2022	-	Fixed	6.95% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004747330	48	157	EUR	19.08.2018	-	Fixed	08.19.2012: 4.40%; 08.19.2013: 4.60%; 08.19.2014: 4.80%; 08.19.2015: 5.00%; 08.19.2016: 5.30%; 08.19.2017: 5.65%; 08.19.2018: 6.00%	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004748882	3	10	EUR	21.07.2018	-	Floating	Euribor 3M + 2.637% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004764004	146	414	EUR	31.10.2018	-	Fixed	10.31.2012: 5.60%; 10.31.2013: 5.90%; 10.31.2014: 6.10%; 10.31.2015: 6.30%; 10.31.2016: 6.50%; 10.31.2017: 6.80%; 10.31.2018: 7.20%	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004780562	215	518	EUR	31.01.2019	-	Fixed	01.31.2013: 6.50%; 01.31.2014: 6.90%; 01.31.2015: 7.30%; 01.31.2016: 7.80%; 01.31.2017: 8.10%; 01.31.2018: 8.30%; 01.31.2019: 8.50%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0878681419	194	300	SGD	30.07.2023	30.07.2018	Fixed	1-5.5Y 5.5% p.a., 5.5-10.5Y SOR+ 4.47% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0925177130	708	750	USD	02.05.2023	02.05.2018	Fixed to Floating	1-5Y 6.375%, 6-10Y USD MS + 5.51%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0986063864	996	1,000	EUR	28.10.2025	28.10.2020	Fixed	5.75% p.a., after the call, 5Y Swap + 410 bps	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0001	2	10	EUR	30.10.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0002	2	10	EUR	30.10.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0003	2	10	EUR	13.11.2017	-	Fixed	5.54% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0004	1	5	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0005	1	5	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0006	4	20	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior

## Part F - Shareholders' Equity

SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING)	ISSUER	UNIQUE IDENTIFIER <sup>(1)</sup>	COMPUTABLE CRR AMOUNT (€MLN) <sup>(2)</sup>	NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN)	CURRENCY	MATURITY DATE	OPTIONAL CALL DATE	FIXED OR FLOATING DIVIDEND / COUPON	COUPON RATE AND ANY RELATED INDEX	CONVERTIBLE OR NON-CONVERTIBLE	WRITE-DOWN FEATURES	POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION <sup>(3)</sup>
no	UNICREDIT SPA	135_SL0007	4	20	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0008	0	1	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0009	7	40	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0010	1	5	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0011	4	20	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0012	1	5	EUR	27.11.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0013	2	10	EUR	30.01.2018	-	Fixed	5.74% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0014	2	10	EUR	30.01.2018	-	Fixed	5.74% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS1070428732	184	185	EUR	21.05.2024	21.05.2019	Fixed	3.125% from issue date to 05.21.2019; fixed rate equivalent to 5Y MS + 2.50% from 05.21.2019	Non Convertible	no	Senior
no	UNICREDIT SPA	IT0005087116	2,495	2,500	EUR	03.05.2025	03.05.2020	Floating	Euribor 3M + 2.75%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS1426039696	747	750	EUR	03.01.2027	03.01.2022	Fixed	4.375% p.a. from issue date to 01.02.2022 payable annually; 4.316% p.a. + 5 Year Mid-Swap Rate after 01.02.2022	Non Convertible	no	Senior

**Notes**

(1) Please note that ISIN Guidelines (paragraph 7) states that "banking instruments or facilities such as bank loans are outside of the scope of the ISO-6166 standard and should not be identified by ISIN codes". Hence, the present section shows an internal identification code for those instruments classified as "Loans".

(2) The write-up mechanisms described are aligned with the original Final Terms & Conditions; therefore, the classification of instruments is coherent with the regulatory framework in force at the issuance date.

## B. Quantitative information

	(€ '000)	
OWN FUNDS	12.31.2016	12.31.2015
A. Common Equity Tier 1 Capital (CET1) before prudential filters	41,150,049	43,305,187
<i>of/w grandfathered CET1 instruments</i>	-	-
B. CET1 Prudential Filters (+/-)	(583,935)	(525,128)
C. CET1 gross of deductions and transitional adjustments (A +/- B)	40,566,114	42,780,059
D. Items to be deducted from CET1	11,684,912	572,639
E. Transitional adjustments - Effect on CET1 (+/-)	(184,202)	(465,841)
F. Common Equity Tier 1 Capital (C - D +/-E)	28,697,001	41,741,579
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	3,203,234	2,895,143
<i>of/w grandfathered AT1 instruments</i>	819,770	1,006,680
H. Items to be deducted from AT1	26,696	26,579
I. Transitional adjustments - Effect on AT1 (+/-)	-	(134,770)
L. Additional Tier 1 Capital (G - H +/- I)	3,176,538	2,733,794
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	9,546,430	10,191,362
<i>of/w grandfathered T2 instruments</i>	1,073,554	1,865,596
N. Items to be deducted from T2	801,538	321,082
O. Transitional adjustments - Effect on T2 (+/-)	31,053	(65,115)
P. Tier 2 Capital (M - N +/- O)	8,775,945	9,805,164
Q. Total Own Funds (F + L + P)	40,649,484	54,280,537

Own funds are calculated according to the transitional regime applicable period by period.

### Description of main capital items as of December 31, 2016

#### A. Common Equity Tier 1 Capital (CET1) before prudential filters

The item includes:

- paid up instruments for €20,229 million; compared with December 31, 2015 such item includes the effects of the increase related to the scrip dividend scheme as approved by the Extraordinary Shareholders' Meeting of April 14, 2016, under which newly-issued ordinary shares of the Company were granted to the shareholders entitled to receive the 2015 dividend not requesting a cash payment;
- share premium for €14,376 million;
- other reserves included retained earnings for €5.828 million.
- accumulated other comprehensive income, negative for €716 million; such item includes, among the others, the following items whose regulatory treatment is outlined below:
  - reserves for actuarial losses (IAS19)<sup>15</sup>:
    - amount of the negative reserve: €212 million;
    - amount of the positive transitional filter included in section "E. Transitional adjustments – Effect on CET1 (+/-)": €51 million;
  - reserves on available for sale (AFS) securities:
    - amount of the positive reserve: €644 million;
    - amount of the negative transitional adjustment for unrealized gains on fair value items included in section "E. Transitional adjustments – Effect on CET1 (+/-)": €258 million, of/w €195 million referred to securities issued by UE Central Administrations.

The item includes neither the amount related to Cashes (€609 million) reclassified in the Item "G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments", nor Saving Shares and share premium referred to Saving Shares (€17 million) reclassified in the Item "M. Tier 2 (T2) Capital gross of deductions and transitional adjustments".

<sup>15</sup> As of January 1, 2013, following the entry into force of the amendments to IAS 19 (IAS 19R), the elimination of the corridor method – requiring recognition of present value of defined benefit obligations - will result in an impact on the Net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognized in line with such method.

## Part F - Shareholders' Equity

### B. CET1 Prudential Filters

The item includes:

- filters required by CRR including, referred to:
  - negative filter on cash flow hedge reserve of financial instruments (CRR art.33), equal to €7 million;
  - negative filter on gains on liabilities of the institutions related to changes in own credit standing (CRR art.33), equal to €54 million;
  - additional value adjustments (CRR art.34), equal to €57 million;
- national filters as required by Bank of Italy Circular No.285, referred to:
  - multiple goodwill redemption ("affrancamenti multipli"), equal to €438 million <sup>16</sup>;
  - gain on sale of properties mainly used in operations ("cessione in blocco"), equal to €28 million.

### D. Items to be deducted from CET1

The item includes the following main elements:

- loss of the period 2016, equal to 11,460 million, entirely deducted according to CRR art. 36(1)(a), allocated under such item pending Ordinary Shareholders' Meeting to be held on April 20, 2017 deliberating about the coverage of the losses;
- other intangible assets, for €5 million;
- deferred tax assets that rely on future profitability and do not arise from temporary differences, for €56 million;
- deductions for securitizations, for €160 million.

### E. Transitional adjustments – Effect on CET1

The item includes the following elements:

- exclusion of 40% of unrealized gains related to (I) exposures towards EU Central Administrations classified in the portfolio "Available For Sale – AFS", equal to €195 million and (II) debt instruments other than those issued by EU Central Administration, and capital instruments classified in the portfolio "Available For Sale - AFS", for €62 million;
- positive filter on negative actuarial reserves (IAS19) equal to 60% of the amount calculated according to CRR Article 473, for €51 million;
- positive adjustment for the 40% of the deduction related to deferred tax assets that rely on future profitability and do not arise from temporary differences, for €22 million;

### O. Transitional adjustments – Effect on T2

The item includes the following transitional adjustment:

- national positive filter as regulated by Bank of Italy Circular No.285, equal to 40% of 50% of unrealized gains on AFS, equal to €31 million.

<sup>16</sup> The amount of the filter refers to the 5/5 of the amount subject to neutralization calculated according to Bank of Italy communication issued on May 9, 2013; the calculation takes into account the provisions of the Resolution n.55/E of the Italian Revenue Agency (Agenzia delle Entrate) issued on May 29, 2015 concerning "Discipline of the tax credit resulting from the processing of deferred tax assets recorded in the financial statements referred to in Article 2, paragraphs 55 to 58 of Decree-Law 29 December 2010, n. 225" ("Disciplina del credito d'imposta derivante dalla trasformazione di attività per imposte anticipate iscritte in bilancio di cui all'articolo 2, commi da 55 a 58, del decreto legge 29 dicembre 2010, n.225").

## 2.2 Capital adequacy

### A. Qualitative information

Regarding qualitative information, please refer to Notes to the Consolidated Accounts.

### B. Quantitative information

#### Capital Adequacy

(€ '000)

ITEMS/VALUES	NON-WEIGHTED AMOUNTS		WEIGHTED AMOUNTS	
	12.31.2016	12.31.2015	12.31.2016	12.31.2015
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>	<b>420,866,328</b>	<b>433,065,056</b>	<b>181,055,646</b>	<b>169,542,449</b>
1. Standardized approach	219,645,778	218,485,433	109,535,063	103,882,283
2. IRB approaches	198,379,931	213,727,497	69,411,860	64,819,453
2.1 Foundation	-	-	-	-
2.2 Advanced	198,379,931	213,727,497	69,411,860	64,819,453
3. Securitizations	2,840,619	852,125	2,108,722	840,713
<b>B. CAPITAL REQUIREMENTS</b>				
<b>B.1 Credit and counterparty risk</b>			<b>14,485,829</b>	<b>13,564,218</b>
<b>B.2 Credit valuation adjustment risk</b>			<b>15,827</b>	<b>17,409</b>
<b>B.3 Settlement risk</b>			<b>2,034</b>	<b>1,976</b>
<b>B.4 Market Risk</b>			<b>572,548</b>	<b>538,753</b>
1. Standardized approach			-	-
2. Internal Models			572,548	538,753
3. Concentration Risk			-	-
<b>B.5 Operational Risk</b>			<b>972,713</b>	<b>1,109,147</b>
1. Basic indicator approach			-	19,001
2. Traditional standardized approach			-	-
3. Advanced measurement approach			972,713	1,090,146
<b>B.6 Other calculation elements</b>			-	-
<b>B.7 Total capital requirements</b>			<b>16,048,952</b>	<b>15,231,505</b>
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>				
<b>C.1 Risk Weighted Assets</b>			<b>200,611,897</b>	<b>190,393,806</b>
<b>C.2 Common Equity Tier 1 Capital/Ris weighted assets (CET 1 capital ratio)</b>			<b>14.30%</b>	<b>21.92%</b>
<b>C.3 Tier 1 Capital/Risk weighted assets (Tie 1 capital ratio)</b>			<b>15.89%</b>	<b>23.36%</b>
<b>C.4 Total Own Funds/Risk weighted assets (Total capital ratio)</b>			<b>20.26%</b>	<b>28.51%</b>



## Part G - Business Combinations

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## Part G - Business Combinations

### Section 1 - Business Combinations completed in the year

#### 1.1 Business combinations

Business combinations with counterparties outside the Group are performed using the “purchase method” as required by IFRS3 “Business Combinations”, cited in the disclosure of Accounting policies, part A.2 concerning the main balance-sheet items.

In 2016, the Bank did not carry out any business combinations outside the Group.

Within the Group during 2016 some transactions were carried out involving disposal or buy-outs of Business Units with business combinations under common control in line with strategic guidelines of the Group. These transactions detailed below had no economic substance and were accounted for in the acquirer’s and acquired entity’s accounts in accordance with the continuity principle:

- The transfer of the CEE Division - including the shareholdings of CEE subsidiaries - from UniCredit Bank Austria AG to UniCredit S.p.A.. This transaction named “Delorean” was completed on October 1, 2016, with accounting and economic retroactivity to January 1, 2016, through (i) the demerger of the CEE Division business unit from UniCredit Bank Austria AG to a company named UCG Beteiligungsverwaltung GmbH (an Austrian NewCo wholly owned by UniCredit S.p.A) and (ii) the subsequent cross border merger of UCG Beteiligungsverwaltung GmbH into UniCredit S.p.A.. Such reorganization will allow to simplify the structure and strengthen the central steering functions, while preserving the existing know-how and customers’ relationships.
- The transfer of the business unit “Ultra High wealth Individuals Network” (UHNWI) in favor of Cordusio SIM S.p.A. in the plan to strengthen its presence in Wealth Management using a dedicated company to offer by this company all the services of consulting and investment management for customers with financial assets higher than a certain level. The disposal of the business is effective from November 1, 2016.

### Section 2 - Business Combinations completed after year-end

No business combinations are performed after year-end closing.







## Part H - Related-Party Transactions

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## Part H - Related-Party Transactions

As required by the Commission Regulation (EU) No.632/2010 of July 19, 2010, the revised IAS24 - which simplifies and clarifies the definition of related party and the criteria aimed at identifying correctly the nature of the relationship with the reporting entity - is applied to financial reporting for annual periods beginning on or after January 1, 2011. Pursuant to IAS24, UniCredit S.p.A.'s related parties include:

- companies belonging to the UniCredit group and companies controlled by UniCredit but not consolidated;
- associates and joint-ventures;
- UniCredit's key management personnel;
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Details of key management personnel's 2016 remuneration are given below. Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer<sup>17</sup>.

### 1. Details of Top Managers' compensation

Total compensation paid to Directors and top managers in 2016 is given below pursuant to IAS24 and to the circular No.262 issued by Banca d'Italia on December 22, 2005 (4<sup>th</sup> update on December 15, 2015) requiring that also the Statutory Auditors' compensation be included.

#### Remuneration paid to key management personnel (including directors)

(€ '000)

	YEAR 2016	YEAR 2015
a) short-term employee benefits	19,630	21,987
b) post-retirement benefits	1,725	2,131
<i>of which: under defined benefit plans</i>	-	-
<i>of which: under defined contribution plans</i>	1,725	2,131
c) other long-term benefits	-	-
d) termination benefits	13,524	9,168
e) share-based payments	2,755	5,993
<b>Total</b>	<b>37,634</b>	<b>39,279</b>

In the above reported data are included compensation paid to Directors (€16,784 thousand), Statutory Auditors (€719 thousand), General Manager (€1,034 thousand) and other Managers with strategic responsibility (€11,850 thousand), as shown in the document "Compensation tables and information document pursuant Consob regulations" attached to the 2017 Group Compensation Policy, and €7,247 thousand relating to other costs borne in 2016 (the company share of social security contributions, allocations to severance pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The decrease in the overall compensation (€1,645 thousands) vs. 2015 is due to reduction of all compensation elements, and in particular of the variable ones (in cash and equity) linked to the corporate performance, which have more than off-set the higher expenses related to termination of the employment of the former Chief Executive Officer and of another Executive with strategic responsibilities.

<sup>17</sup> Up to September 2016 the cluster did include the other members of the CEO Office of UniCredit as well as the Head of Internal Audit.

## 2. Related-Party Transactions

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) 632/2010 of July 19, 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure must include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:

- companies belonging to the UniCredit group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other members of UniCredit's Executive Management Committee, as well as the Head of Internal Audit during the period under consideration.

Also for the management of related-party transactions refer to the discipline established by CONSOB Regulation 17221/2010 (deriving from the provisions of art.2391-bis of the Italian Civil Code) and as introduced in 2011 by the Title V, Chapter 5 of the Banca d'Italia Circular 263/2006 and the provisions pursuant to art.136 of Legislative Decree No.385/1993, under which corporate officers may assume obligations towards the bank they manage, direct or control, only upon unanimous approval of the board of the bank.

UniCredit, as a listed issuer, has adopted the "Global Policy for the management of transactions with persons in conflict of interest", which is published on the UniCredit website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)), that is designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit, including those conducted through subsidiaries, with related parties and associated persons (Banca d'Italia), and the manner in which information is disclosed to corporate bodies and the market.

Specific guidelines contained in the Global Policy have been distributed to the company's functions and Group Entities in order to systematically abide to the above-mentioned reporting requirements.

UniCredit has also established, in accordance with those guidelines, the Related Parties Committee and Equity Investments, consisting of three members appointed by the Board of Directors among its members qualified as "independent" within the meaning of article 3 of the Corporate Governance Code.

Moreover UniCredit is provided of specific control procedures regulated in the Global Policy: Internal controls on risk activities with subjects in conflict of interests, also approved by UniCredit's Board of Directors, upon recommendation of the Related-Parties and Equity Investments Committee and the Board of Statutory Auditors.

UniCredit, in the context of the Global Policy, taking advantage of the options provided by Banca d'Italia and Consob disciplines, has expanded the scope of related parties to apply the provisions above-mentioned, identifying a list of additional subjects compared to the cases strictly provided by lawmakers.

In 2016, transactions carried out with related parties reported in the data streams provided by the reference standards, were executed, on market or standard conditions and were carried out based on assessments of the economic interests of the Group.

See also paragraph "Transactions with related parties" in Report on Operations of this document.

Details of related-party transactions carried out pursuant to IAS24 are given below.

## Part H - Related-Party Transactions

Accordingly, the table below provides the additional information required by IAS24 at December 31, 2016:

### Related-party transactions: balance sheet items

(€'000)

	AMOUNT AS AT 12.31.2016						% ON NON COMPANY ACCOUNTS	SHAREHOLDERS (*)	% ON NON COMPANY ACCOUNTS
	SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL			
Financial asset held for trading	3,550,658	-	-	-	4,677	3,555,335	25.35%	-	-
Financial asset designated at fair value	-	-	-	-	-	-	-	-	-
Available for sale financial asset	-	-	169,453	-	11,112	180,565	0.28%	19,000	0.03%
Held to maturity investments	-	-	-	-	-	-	-	-	-
Loans and receivables with banks	6,711,677	1,575,094	376,186	-	-	8,662,957	38.76%	227	0.00%
Loans and receivables with customers	21,241,390	444,869	504,673	1,058	88,022	22,280,012	10.45%	800,699	0.38%
Other assets	190,582	7,730	206	-	-	198,518	4.51%	-	-
<b>Total Assets</b>	<b>31,694,307</b>	<b>2,027,693</b>	<b>1,050,518</b>	<b>1,058</b>	<b>103,811</b>	<b>34,877,387</b>	<b>10.92%</b>	<b>819,926</b>	<b>0.26%</b>
Deposits from banks	15,765,871	43,919	104,820	-	-	15,914,610	35.86%	76,768	0.17%
Deposits from customers	775,887	2,917	363,156	6,018	199,343	1,347,321	0.69%	133,821	0.07%
Debt securities in issue	25,249,461	12,025	10,317	20	-	25,271,823	25.33%	-	-
Other liabilities	296,240	497	84	-	-	296,821	4.07%	-	-
<b>Total Liabilities</b>	<b>42,087,459</b>	<b>59,358</b>	<b>478,377</b>	<b>6,038</b>	<b>199,343</b>	<b>42,830,575</b>	<b>12.31%</b>	<b>210,589</b>	<b>0.06%</b>
Guarantees given and commitments	14,118,216	1,607,906	117,438	-	44,496	15,888,056	22.52%	5,190	0.01%

(\*) Shareholders and related companies holding a stake in UniCredit with voting right exceeding 2% of share capital.

With regard to the aforesaid transactions, and separately by type of related party, the impact on income statement items are also detailed below.

### Related-party transactions: profit and loss items

(€'000)

	AMOUNT AS AT 12.31.2016						% ON NON COMPANY ACCOUNTS	SHAREHOLDERS (*)	% ON NON COMPANY ACCOUNTS
	SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL			
Interest income and similar revenues	703,698	76,305	26,111	22	2,469	808,605	12.98%	807	0.01%
Interest expense and similar charges	(490,480)	(603)	286	(6)	(513)	(491,316)	19.39%	(192)	0.01%
Fee and commission income	746,538	3,000	600,223	7	669	1,350,437	33.08%	153	-
Fee and commission expense	(63,802)	(5)	(9,216)	-	-	(73,023)	18.91%	(124)	0.03%
Gains and losses on financial assets and liabilities held for trading	375,205	-	(12,099)	-	(198)	362,908	258.00%	-	-
Fair value adjustments in hedge accounting	(73,590)	-	-	-	-	(73,590)	2678.92%	-	-
Impairment losses on:	(93,912)	(41)	(153,785)	(3)	(2,966)	(250,707)	2.29%	(115)	-
a) loans	(79,552)	(41)	(144,321)	(3)	(2,966)	(226,883)	2.27%	(115)	-
b) available for sale assets	-	-	(9,467)	-	-	(9,467)	1.38%	-	-
c) held-to-maturity assets	-	-	-	-	-	-	-	-	-
d) other financial assets	(14,360)	-	3	-	-	(14,357)	5.69%	-	-
Operating costs	(1,517,558)	8,352	(41,568)	-	15	(1,550,759)	18.15%	4	-

(\*) Shareholders and related companies holding a stake in UniCredit with voting right exceeding 2% of share capital.

On the other hand, the category "Other related parties" consists of information on:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by, the party involved);
- companies controlled (also jointly) by "key management personnel" or their close family members;
- post-employment benefit plans for employees of the UniCredit group.

Specifically, below are illustrated the major related-party transactions:

- In 2012 the subsidiary UniCredit Business Integrated Solutions S.C.p.A. (UBIS) assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.
  - Against this backdrop, on February 15, 2013 the Board of Directors of UBIS approved the executive plan relating to the "Invoice Management" transaction aimed at the formation of a joint venture with the partner Accenture S.p.A. (Accenture) for the provision of back office services with respect to the "active and passive cycle" (issuance, receipt, verification, recording and payment of invoices). In relation to this, UBIS transferred - with effect from April 1, 2013 - its "active and passive cycle" business unit to the company formed by Accenture and called "Accenture Back Office and Administration Services S.p.A." and sold to Accenture some of the shares resulting from the transfer. Following the transaction, UBIS holds 49% of Accenture Back Office and Administration Services S.p.A.'s share capital; the remaining 51% is held by Accenture (which is the controlling shareholder).
  - Afterwards, on April 19, 2013, the Board of Directors of UBIS approved the executive plan of the project aimed at the formation of a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data center, etc.) to Commercial Banking. The transaction was completed when UBIS transferred, with effect from September 1, 2013, of the "Information Technology" business unit to the company named "Value Transformation Services S.p.A." (V-TServices), formed and controlled by IBM Italia S.p.A. Following the transaction, UBIS holds 49% of V-TServices's share capital; the remaining 51% is held by IBM (which is therefore the controlling shareholder). In December 2016 a contractual renegotiation, with extension of expiry to December 2026, between Unicredit Business Integrated Solution e V-TService has been concluded with the aim to increase value creation and ability to catch new opportunities from technological evolution. Such renegotiation has brought to inclusion into 2016 Consolidated Financial Statement of € 238 million extraordinary administrative expenses related to expiration of the rights to obtain prepaid services and consequently accounting derecognition of related credits to suppliers.

The services provided to the UniCredit group by the above-mentioned companies result in an exchange of fees (administrative costs).

- With reference to transactions with Mediobanca S.p.A. ("Mediobanca"), in addition to the transactions falling within the ordinary course of business and financial activity, UniCredit S.p.A. has entered into a thirty-year usufruct agreement on UniCredit shares with Mediobanca, under which Mediobanca gives back to UniCredit S.p.A., in return for a consideration (recorded as a reduction in Shareholders' Equity), the right to vote and receive dividends on the UniCredit S.p.A. shares subscribed for by Mediobanca in January 2009, as part of the capital increase approved by UniCredit in November 2008. These shares were concomitantly used in support of the issuance of convertible securities denominated "CASHES". Following the resolutions of UniCredit S.p.A.'s Extraordinary Meeting of December 2011, the number of shares underlying the usufruct agreement and the formula for calculating the remuneration fees in favor of Mediobanca were adjusted to reflect (i) the reverse split of UniCredit S.p.A. shares and (ii) the free capital increase of December 2011 carried out through the allocation to capital of an equivalent amount transferred from the issue-premium reserve recorded in January 2009. In the year 2016, given the conditions envisaged by the contract, the last installment referred to the 2014 result and the first three installments referred to the 2015 result amounting to €128 million were paid.

As part of the "CASHES" transaction, Mediobanca also acts as a custodian of the shares issued by UniCredit S.p.A.

Following a different qualification by Agenzia delle Entrate (Italian Tax Authority) of the fiscal regime of returns of CASHES compared to the interpretation used by UniCredit S.p.A. (as Depositary Bank), notified to the investors qualified as related parties or subjects that can be assimilated, conciliatory definitive transactions with such investors were defined in order to consistently compose the recourses.

- At December 31, 2016 the Group's exposure to Nuova Compagnia Partecipazioni (formerly Italtipetroli Group), considered part of the intragroup transactions, consisted mainly of the credit exposure.
- In April 2013, UniCredit S.p.A. started to act as primary dealer and market maker on the Italian, Portuguese, Spanish and Greek government bond markets (these roles were previously played by UniCredit Bank AG). In light of the fact that the model developed provides for the regular provision by UCB AG of services in support of the activity now carried out by UniCredit S.p.A., a cooperation agreement on the remuneration for these services was entered into, which was also in force for 2016, considered among intercompany transactions.
- In August 2014, Alitalia sealed an investment agreement with Etihad Airways aimed at strengthening Alitalia in terms of competitiveness and sustainable income, which also includes: (i) an investment of €560 million by Etihad, which thus became a non-controlling shareholder of the company; (ii) the commitment by the main stakeholders (in addition to UniCredit, Intesa Sanpaolo, Poste Italiane, Atlantia, Immsi, Pirelli, Gavió and Macca) to support an additional recapitalization of the company (maximum liability for UniCredit of €62.1 million); and (iii) support for the transaction from the shareholder financial institutions and banks with a maximum of €598 million in the form of conversion and/or consolidation of short- and medium-term debt.

The transaction, which took effect on January 1, 2015, substantially resulted in: (i) the transfer by Alitalia CAI (subsequently renamed CAI) to a new company named Alitalia-Società Aerea Italiana S.p.A. (SAI) of the business pertaining to all the operating activities performed; (ii) the transfer to Midco S.p.A., by Alitalia CAI, of the investment in SAI deriving from the contribution of the aforementioned business; (iii) the subscription by Etihad, through a cash payment of €387.5 million, of a capital increase of SAI resulting in Etihad holding 49% of SAI (the residual 51% is held by CAI, through Midco).

Following the restructuring of the short- and medium-term debt by the financial institutions and shareholder banks, at the end of 2014 UniCredit held a share of 33.50% of CAI, reduced at 32.792% starting from March 2016.

- As occurred in previous years, during 2016 UniCredit S.p.A. had entered into an agreement with UniCredit Bank AG aimed at ensuring fulfillment of the provisions of Articles 311, paragraph 2, and 317 of the German Stock Corporation Act (Aktiengesetz, AktG), applicable to groups including a German company, when there is no domination agreement in place. Those provisions establish (i) the obligation for the parent company to compensate, or commit to compensating, the subsidiary for any damages arising from measures or transactions (or lack thereof) ordered by the parent company and that the subsidiary would not have adopted/conducted had it not belonged to the group and (ii) the subsidiary's obligation to

## Part H - Related-Party Transactions

claim a compensation from the parent company and, if no compensation is received, to prepare a report ("dependency report") on the status of all harmful measures and compensation not yet awarded. According to this "compensation agreement" Unicredit S.p.A. has granted to Unicredit Bank AG €2 million.

- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).
- UniCredit Bank Austria AG has issued to the Ukrainian National Bank a comfort letter to guarantee that Ukrspbank will continue as a going concern. The engagements arising from this guarantee were eliminated following the fine-tuning of the disposal of Ukrosotsbank occurred on October 31, 2016.







# Part I - Share based Payments

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## Part I - Share based Payments

### 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 categories:

- **Equity-Settled Share Based Payments;**
- **Cash-Settled Share Based Payments.**

The first category includes the following:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group;
- **Group Executive Incentive System** that offer to eligible Group Executive a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment by cash and/or by UniCredit shares; the payment are related to the achievement of performance condition (other than marked 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 (first year upfront and 4 or 5 years deferred). 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 possibility 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 vesting conditions (other than market conditions) stated in the Plan Rules.

The second category includes the Group Long Term Incentive Plan 2015-2018 that offers to selected Top Managers of the UniCredit S.p.A. other equity instruments (Phantom Shares) with the right to receive a future cash incentives determined by the market price of UniCredit ordinary shares. This right is subject to the achievement of specific performance indicators and malus and claw back conditions (as legally enforceable) as defined in the Plan Rules. This payment structure will guarantee the alignment to the shareholders and Top Management interests, rewarding long term value creation, share price and Group performance appreciation.

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 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 2016.

###### 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 expresses 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.

#### Group Executive Incentive System "Bonus Pool 2015" - Shares

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

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2015			
	INSTALLMENT (2018)	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)
Date of Bonus Opportunity Economic Value granting	Jan-21-2015	Jan-21-2015	Jan-21-2015	Jan-21-2015
Date of Board resolution (to determine number of shares)	Mar-15-2016	Mar-15-2016	Mar-15-2016	Mar-15-2016
Vesting Period Start-Date	Jan-01-2015	Jan-01-2015	Jan-01-2015	Jan-01-2015
Vesting Period End-Date	Dec-31-2015	Dec-31-2017	Dec-31-2018	Dec-31-2019
UniCredit Share Market Price [€]	3.411	3.411	3.411	3.411
Economic Value of Vesting conditions [€]	-0.261	-0.492	-0.814	-1.175
<b>Performance Shares' Fair Value per unit @ Grant Date [€]</b>	<b>3.150</b>	<b>2.919</b>	<b>2.597</b>	<b>2.236</b>

### Group Executive Incentive System 2016 (Bonus Pool)

New Group Incentive system 2016 is based on a bonus pool approach, aligned with regulatory requirements and market practices, it defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite;
- link between bonuses and organization structure, defining the pool on a country/division level with further review at Group level;
- bonuses allocated to Executives and other relevant employee, on a basis of European Bank Authority (EBA) rules and 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 Employee Share Ownership Plan (Let's Share for 2016)

The following tables show the measurements and parameters used in relation to Free Shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2015.

#### Measurement of Free Shares ESOP for 2016

	FREE SHARES ELECTION WINDOW
Date of Free Shares delivery to Group employees	Jul-29-2016
Vesting Period Start-Date	Jul-29-2016
Vesting Period End-Date	Jul-29-2017
Discount Shares' Fair Value per unit [€]	<b>2.058</b>

All Profit and Loss and Net Equity effects referred to free shares will be booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after vesting period).

The Plan Let's Share for 2016 provides for the use of shares to be purchased on the market. To that end, Participants give a mandate to a broker to purchase the shares to be transferred into an account opened in their name.

### 1.2.5 Group Long Term Incentive Plan 2015-2018

Phantom shares will give to the beneficiaries the right to a payment at maturity of a gross amount of money ("Bonus") calculated as the arithmetic average of the official price of UniCredit ordinary shares listed on the stock market organized and managed by Borsa Italiana S.p.A. within 30 days preceding the date on which the Board of Directors will evaluate the "malus" conditions and authorize the subsequent payment.

Economic and Net Equity effects will be accrued on a basis of instruments' vesting period.

## Part I - Share based Payments

## B. Quantitative Information

## 1. Annual Changes

## Stock Option and Performance Stock Option UniCredit

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	YEAR 2016 <sup>(1)</sup>			YEAR 2015 <sup>(1)</sup>		
	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	<b>32,339,127</b>	<b>21.755</b>	<b>Jul-2019</b>	<b>33,250,907</b>	<b>21.444</b>	<b>Jul-2019</b>
<b>B. Increases</b>	-	-	-	-	-	-
B.1 New issues	-	-	-	-	-	-
B.2 Other	-	-	-	-	-	-
<b>C. Decreases</b>	<b>10,849,241</b>	-	-	<b>911,780</b>	-	-
C.1 Forfeited	2,573,945	32.019	-	911,780	10.435	-
C.2 Exercised	-	-	-	-	-	-
C.3 Expired	8,275,296	-	-	-	-	-
C.4 Other	-	-	-	-	-	-
<b>D. Outstanding at end of period</b>	<b>21,489,886</b>	<b>27.358</b>	<b>Aug-2018</b>	<b>32,339,127</b>	<b>21.755</b>	<b>Jul-2019</b>
<b>E. Vested Options at end of period</b>	<b>21,489,886</b>	<b>27.358</b>	<b>Aug-2018</b>	<b>24,063,841</b>	<b>27.857</b>	<b>Aug-2018</b>

(1) The information related to Number of options and Average exercise price had been modified following the grouping operation resolved by UniCredit Annual General Meeting on December 15, 2011 and following the application of "adjustment factors" for:

- as the free capital increase resolved by the UniCredit Annual General Meeting on April 29, 2009 ("scrip dividend"), implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.88730816;
- as the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on November 16, 2009 and finalized on February 24, 2010, implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.95476659;
- as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on December 15, 2011 and finalized in 2012 implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.6586305.

## Other UniCredit equity instruments: Performance Shares

ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE	YEAR 2016			YEAR 2015		
	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE [€]	AVERAGE MATURITY
<b>A. Outstanding at beginning of period</b>	<b>32,559,217</b>	-	<b>Mar-2017</b>	<b>36,900,821</b>	-	<b>Oct-2015</b>
<b>B. Increases</b>	<b>23,721,118</b>	-	-	<b>12,219,858</b>	-	-
B.1 New issues	23,721,118	-	-	12,219,858	-	-
B.2 Other	-	-	-	-	-	-
<b>C. Decreases</b>	<b>13,608,552</b>	-	-	<b>16,561,462</b>	-	-
C.1 Forfeited	341,025	-	-	247,529	-	-
C.2 Exercised <sup>(1)</sup>	13,267,527	-	-	16,313,933	-	-
C.3 Expired	-	-	-	-	-	-
C.4 Other	-	-	-	-	-	-
<b>D. Outstanding at end of period <sup>(2)</sup></b>	<b>42,671,783</b>	-	<b>Feb-2018</b>	<b>32,559,217</b>	-	<b>Mar-2017</b>
<b>E. Vested instruments at end of period</b>	<b>16,912,324</b>	-	-	<b>13,312,560</b>	-	-

(1) As far as the 2016 movement is concerned, the average market price at the exercise date is equal to €3.70 (€6.23 was the price observed at exercise date for 2015 movimentation);

(2) UniCredit undertakes to grant, conditional upon achieving performance targets set in the Strategic Plan, 42,671,783 ordinary shares at the end of 2016 (32,559,217 ordinary shares at the end of 2015).

According to Let's Share 2016 (ESOP) Plan Rules, had been delivered to Group Participants 985,925 Free Shares in July 2016 related to services rendered during the period 2016-2017.

The said above UniCredit free ordinary shares had been acquired on the market, and are not considered in the table of annual changes.

## 2. Other information

### **UniCredit Group Employee Share Ownership Plan 2016 (“Let’s Share for 2017”)**

In April 2016 the Ordinary Shareholders’ Meeting approved the “UniCredit Group Employee Share Ownership Plan 2016” (“Let’s Share for 2017”) that offers to eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions in order to reinforce employees’ sense of belonging and commitment to achieve the corporate goals.

With reference to Let’s Share for 2017, according to UniCredit discretionary evaluation, there may be two main election windows:

- 1<sup>st</sup> election window: by the end of the second quarter of 2017;
- 2<sup>nd</sup> election window: by the end of the fourth quarter of 2017.

Let’s Share for 2017 envisages the following elements:

- during the “Enrolment Period”, that will be communicated on due time to the Participants, they can buy UniCredit ordinary shares (“Investment Shares”) by means of monthly or one-off contributions taken from their Current Account;
- at the first month of the Enrolment Period, each Participant will receive, in form of shares (“Free Shares”) a discount equal to 25% of shares purchased; the Free Shares will be locked up for one year (“Holding Period”). The Participant will lose the entitlement to the Free Share if, during the holding period, he/she will no longer be an employee of a UniCredit Group Company unless the employment has been terminated for one of the specific reasons stated in the Rules of the Plan. In some countries, for fiscal reasons, it will not be possible to grant the Free Shares at the beginning of the Enrolment Period: in that case an alternative structure is offered that provides to the Participants of those countries the right to receive the Free Shares at the end of the Holding Period (“Alternative Structure”);
- during the “Holding Period”, the Participants can sell the Investment Shares purchased at any moment, but they will lose the corresponding Free Shares (or right to receive them).

The Free Shares are qualified as “Equity Settled Share-based Payments” as Participants will receive UniCredit Equity Instruments as consideration for the services rendered to the legal entity where they are employed. The fair value will be measured at the beginning of Enrolment Period according to the price paid by Participants to acquire the first installment of the Investment Shares on the market.

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

### **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**

(€ '000)

	2016		2015	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
<b>(Costs)/Revenues</b>	<b>(31,428)</b>		<b>(23,766)</b>	
- connected to Equity Settled Plan <sup>(1)</sup>	(28,780)		(23,766)	
- connected to Cash Settled Plans	(2,648)		-	
<b>Debts for Cash Settled Plans <sup>(2)</sup></b>	<b>3,719</b>	-	-	-

(1) Includes costs for €10.2 million related to golden parachute.

(2) The measurement of the debt for Cash Settled payments refers to the component of the Group LTI Plan 2015-2019 already contained in the plan Bonus Pool 2015 and converted into Cash Settlement payment in 2016 when the performances were tested.





# Part L - Segment Reporting

Part L - Segment Reporting

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## Part L - Segment Reporting

Segment Reporting of UniCredit S.p.A., Parent Company of the UniCredit banking group, is provided in Part L of the consolidated notes to the accounts, in accordance to the IFRS8.





# Annexes

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# Reconciliation of Reclassified Account to Mandatory Reporting Schedule

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below.

## Balance Sheet

(€ million)

	AMOUNTS AS AT		SEE NOTES TO THE ACCOUNTS
	12.31.2016	12.31.2015	
<b>ASSETS</b>			<b>PART B) ASSETS</b>
Cash and cash balances	1,852	2,460	Table 1.1
10. Cash and cash balances	1,852	2,460	
Financial assets held for trading	14,026	14,378	
20. Financial assets held for trading	14,026	13,721	Table 2.1
CEE Division	-	657	
Loans and receivables with banks	22,349	21,145	
60. Loans and receivables with banks	22,349	22,063	Table 6.1
CEE Division	-	(917)	
Loans and receivables with customers	213,237	220,197	
70. Loans and receivables with customers	213,237	215,175	Table 7.1
CEE Division	-	5,022	
Financial investments	108,374	115,236	
30. Financial assets at fair value through profit or loss	159	338	Table 3.1
40. Available-for-sale financial assets	64,525	65,425	Table 4.1
50. Held-to maturity investments	755	752	Table 5.1
100. Investments in associates and joint ventures	42,935	45,847	Table 10.2
CEE Division	-	2,874	
Hedging instruments	8,160	8,794	
80 Hedging derivatives	6,096	6,405	Table 8.1
90. Changes in fair value of portfolio hedged items	2,064	2,308	Table 9.1
CEE Division	-	80	
Property, plant and equipment	2,341	2,405	
110. Property, plant and equipment	2,341	2,405	Table 11.1
Goodwill	-	-	
120. Intangible assets net of which: goodwill	-	-	Table 12.1
Other intangible assets	5	7	
120. Intangible assets net of goodwill	5	6	Table 12.1
CEE Division	-	1	
Tax assets	12,005	12,559	
120. Tax assets	12,005	12,554	
CEE Division	-	5	
Non-current assets and disposal groups classified as held for sale	7,439	305	
140. Non-current assets and disposal groups classified as held for sale	7,439	238	Table 14.1
CEE Division	-	67	
Other assets = item 150	4,400	4,695	
150. Other assets	4,400	4,675	Table 15.1
CEE Division	-	20	
<b>Total assets</b>	<b>394,188</b>	<b>402,181</b>	

continued: Balance Sheet

	AMOUNTS AS AT		SEE NOTES TO THE ACCOUNTS
	12.31.2016	12.31.2015	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>PART B) LIABILITIES</b>
Deposits from banks	44,381	42,943	
10. Deposits from banks	44,381	37,466	Table 1.1
CEE Division	-	5,477	
Deposits from customers and debt securities in issue	279,648	282,720	
20. Deposits from customers	196,521	181,574	Table 2.1
30. Debt securities in issue	83,127	97,311	Table 3.1
CEE Division	-	3,835	
Financial liabilities held for trading	14,557	11,342	
40. Financial liabilities held for trading	14,557	10,672	Table 4.1
CEE Division	-	670	
Financial liabilities at fair value through profit or loss	2,103	-	Table 5.1
50. Financial liabilities at fair value through profit or loss	2,103	-	Table 5.1
Hedging instruments	8,920	9,710	
60. Hedging derivatives	6,127	6,630	Table 6.1
70. Changes in fair value of portfolio hedged items	2,793	3,039	Table 7.1
CEE Division	-	41	
Provisions for risks and charges	3,407	2,654	
120. Provisions for risks and charges	3,407	2,601	Table 12.1
CEE Division	-	53	
Tax liabilities	162	152	
80. Tax Liabilities	162	152	
Liabilities included in disposal group classified as held for sale	3	-	
90. Liabilities included in disposal group classified as held for sale	3	-	
Other liabilities	8,310	8,430	
100. Other liabilities	7,291	7,374	Table 10.1
110. Provision for employee severance pay	1,020	1,028	Table 11.1
CEE Division	-	28	
Shareholders' Equity:	32,697	44,230	<b>PART F) SHAREHOLDERS' EQUITY</b>
- Capital and reserves	43,718	46,149	
130. Revaluation reserves, of which: Special revaluation laws	277	277	Table B.1
150. Equity instruments	2,383	1,888	
160. Reserves	5,828	8,753	
170. Share premium	14,385	15,977	
180. Issued capital	20,847	20,258	Table B.1
190. Treasury shares	(2)	(2)	Table B.1
CEE Division	-	(1,002)	
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans	439	817	
130. Revaluation reserves, of which: Available-for-sale financial assets	644	916	Table B.1
130. Revaluation reserves, of which: Cash-flow hedges	7	121	Table B.1
130. Revaluation reserves, of which: Defined benefits plans	(212)	(222)	
CEE Division	-	2	
- Net profit (loss)	(11,460)	(2,736)	
200. Net profit (loss) for the year	(11,460)	(1,441)	
CEE Division	-	(1,295)	
<b>Total liabilities and Shareholders' Equity</b>	<b>394,188</b>	<b>402,181</b>	

An explanation for the restatement of comparative figures is provided in the previous sections.

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Income Statement

(€ million)

	YEAR		SEE NOTES TO THE ACCOUNTS
	2016	2015	
Net interest	3,693	4,038	<b>PART C)</b>
30. Net interest margin	3,693	4,035	Tables 1.1 and 1.4
CEE Division	-	3	
Dividends and other income from equity investments	1,173	1,476	
70. Dividend income and similar revenue	1,173	1,476	Table 3.1
less: dividends from held for trading equity investments included in item 70	-	-	Table 3.1
Net fees and commissions	3,574	3,804	
60. Net fees and commissions	3,696	3,837	Tables 2.1 and 2.3
less: Other administrative expenses - of which: outsourced services for the management of Non-Performing loans	(161)	(24)	
+ Other operating income - of which: recovery of costs - Commissioni di istruttoria veloce (CIV)	40	55	Table 13.2
CEE Division and UCCMB	-	(64)	
Net trading income	360	456	
80. Gains (Losses) on financial assets and liabilities held for trading	141	195	Table 4.1
+ dividends from held for trading equity investments included in item 70	-	-	Table 3.1
90. Fair value adjustments in hedge accounting	(3)	7	Table 5.1
100. Gains (Losses) on disposal of: b) available-for-sale financial assets	295	247	Table 6.1
100. Gains (Losses) on disposal of: d) financial liabilities	9	(16)	Table 6.1
110. Gains (Losses) on financial assets and liabilities at fair value through profit or loss	(83)	13	Table 7.1
CEE Division	-	10	
Net other expenses/income	110	(92)	
190. Other net operating income	588	527	Tables 13.1 and 13.2
+ Gains (Losses) on disposal/repurchase on loans and receivables - not impaired position (from item 100)	125	14	
less: Other operating income - of which: recovery of costs	(625)	(653)	Table 13.2
less: Other operating expense - of which on leasehold improvements	22	26	Table 13.1
CEE Division	-	(6)	
<b>OPERATING INCOME</b>	<b>8,910</b>	<b>9,682</b>	
Payroll costs	(3,298)	(3,372)	
150. Administrative costs - a) staff expenses	(4,461)	(3,810)	Table 9.1
less: integration costs	1,163	537	
CEE Division	-	(99)	
Other administrative expenses	(2,839)	(2,815)	
150. Administrative costs - b) other administrative expenses	(3,603)	(3,139)	Table 9.5
less: contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	623	324	
less: outsourced services for the management of Non-Performing loans	161	24	Table 9.5
+ Other operating expense - of which on leasehold improvements	(22)	(26)	
CEE Division and UCCMB	-	2	Table 13.1
Recovery of expenses = item 190. Other net operating income	586	598	
- of which: Operating income - recovery of costs	625	653	Table 13.2
less :commissioni istruttoria veloce (CIV)	(40)	(55)	Table 13.2
Amortisation, depreciation and impairment losses on intangible and tangible assets	(134)	(128)	
170. Impairment/Write-backs on property, plant and equipment	(183)	(129)	Table 11.1
less: Impairment losses/write backs on property owned for investment	51	2	Table 11.1
180. Impairment/Write-backs on intangible assets	(2)	(1)	Table 11.2
<b>Operating costs</b>	<b>(5,685)</b>	<b>(5,717)</b>	
<b>OPERATING PROFIT (LOSS)</b>	<b>3,225</b>	<b>3,965</b>	
Net impairment losses of loans and provisions for guarantees and commitments	(10,379)	(2,813)	
100. Gains (Losses) on disposal of: a) loans	4	(26)	Table 6.1
less: gains and losses on disposal/repurchase on loans and receivables - not impaired position (from item 100)	(125)	(14)	
130. Impairment losses on a) loans	(9,996)	(2,594)	Table 8.1
130. Impairment losses on d) other financial assets	(252)	(33)	Table 8.4
less: contribution to National Interbank Deposit Guarantee Fund ( FITD)	(10)	-	
CEE Division	-	(146)	
<b>NET OPERATING PROFIT (LOSS)</b>	<b>(7,154)</b>	<b>1,152</b>	
Other charges and provisions	(1,501)	(675)	
160. Net provisions for risks and charges	(886)	(299)	Table 10.1
+ contributions to Resolution Funds and Deposit Guarantee Schemes (DGS) and Guarantee fees for DTA	(623)	(324)	Table 9.5
+ contribution to National Interbank Deposit Guarantee Fund ( FITD)	10	-	
CEE Division	-	(52)	
Integration costs	(1,163)	(537)	
Net income (losses) from investments	(1,444)	(2,922)	
130. Impairment losses on: b) available-for-sale financial assets	(685)	(41)	Table 8.2
+ impairment losses/write backs on property owned for investment	(51)	(2)	Table 11.1
210. Profit (loss) of investments	(730)	(1,999)	Table 14.1
240. Gains (Losses) on disposal of investments	22	34	Table 17.1
CEE Division	-	(914)	
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(11,262)</b>	<b>(2,982)</b>	
Income tax	(198)	246	
260. Tax expense (income) related to profit or loss from continuing operations	(198)	275	Table 18.1
CEE Division	-	(29)	
Impairment of goodwill	-	-	
230. Impairment of goodwill	-	-	Table 16.1
<b>NET PROFIT (LOSS)</b>	<b>(11,460)</b>	<b>(2,736)</b>	



# Fees for annual audit and other services

An explanation for the restatement of comparative figures is provided in the previous sections.

(pursuant to article 149-duodecies, CONSOB Regulation No.11971/99, as supplemented)

(€ '000)

DISCLOSURE OF EXTERNAL AUDITORS' FEES - UNICREDIT S.P.A. - FINANCIAL YEAR 2015 - DELOITTE NETWORK				
As prescribed by §149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2016 for audit services rendered by the Auditor and firms in its network.				
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE				
EXTERNAL AUDITING	SERVICE PROVIDER	COMPANY NAME	DESCRIPTION OF SERVICE	FEES <sup>(1)</sup>
	NAME OF AUDITING FIRM			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Audit of Company and Consolidated Accounts and First Half Report, accounting checks and foreign branches <sup>(2)</sup>	2,792
<b>Auditing Firm Total</b>				<b>2,792</b>
<b>External Auditing Total</b>				<b>2,792</b>
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE				
CHECKING FOR THE PURPOSES OF OTHER OPINIONS	SERVICE PROVIDER	COMPANY NAME	DESCRIPTION OF SERVICE	FEES <sup>(1)</sup>
	NAME OF AUDITING FIRM			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Fees for verification and issuing Comfort Letters as part of the capital increase, Limited review of the integrated report 2016, Limited review on 3Q2016 reporting package, Issuing Comfort Letters concerning bond issues, Signing the Italian tax declaration forms, English translation of the Company and Consolidated Accounts	6,382
<b>Auditing Firm Total</b>				<b>6,382</b>
Network Auditing Firm(s)	Deloitte Touche Tohmatsu CPA LLP - China	UniCredit S.p.A.	Local statutory audit report of Shanghai e Guangzhou branches according to local regulation	65
<b>Network Auditing Firm(s) Total</b>				<b>65</b>
<b>Data Checking Total</b>				<b>6,447</b>
UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE				
OTHER NON-AUDITING SERVICES	SERVICE PROVIDER	COMPANY NAME	DESCRIPTION OF SERVICE	FEES <sup>(1)</sup>
	NAME OF THE AUDITING FIRM			
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Agreed Upon Procedure (AUP) on own funds and coefficients of Banking Supervision	200
<b>Auditing Firm Total</b>				<b>200</b>
Network Auditing Firm(s)	Studio Tributario e Societario, Deloitte Consulting S.r.l.	UniCredit S.p.A.	Support the activities of collection Transfer Pricing documentation, Support to Project "Gestione Normativa - Processo Sub Deleghe"	153
Network Auditing Firm(s)				153
<b>Other Non-Auditing Services Total</b>				<b>353</b>
<b>Grand Total</b>				<b>9,592</b>

(1) Net of VAT and out-of-pocket expenses.

(2) Contract authorized by the Resolution of the Shareholders' Meeting of May 11, 2012 for a total amount of €2,356,600, plus ISTAT indexation amounting to €35,434, and additional audit fees 2016 for a total amount of €400,000.

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Pension Fund for the employees of Cassa di Risparmio di Trieste Collections Division" Registration No.9081</b>	<b>24</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>3,505</b>	
Provisions for the year:					
- Interest cost				58	-
- Settlement (gain)/loss				(369)	
Benefits paid in the year				125	
Settlement				1,811	
Actuarial (gains)/losses recognised in the year				(63)	
<b>Balance as at 12.31.2016</b>				<b>1,195</b>	
<b>"Supplementary Pension Fund for employees of Cassa di Risparmio di Torino in liquidation" Registration No.9084</b>	<b>2</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>383</b>	
Provisions for the year:					
- Interest cost				7	-
Benefits paid in the year				18	
Actuarial (gains)/losses recognised in the year				(44)	
<b>Balance as at 12.31.2016</b>				<b>328</b>	
<b>"Supplementary Pension Fund for the collection management staff of Cassa di Risparmio di Torino" Registration No.9085</b>	<b>62</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>9,654</b>	
Provisions for the year:					
- Interest cost				162	-
- Settlement (gain)/loss				(641)	
Benefits paid in the year				442	
Settlement				3,473	
Actuarial (gains)/losses recognised in the year				457	
<b>Balance as at 12.31.2016</b>				<b>5,717</b>	

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Supplementary Company Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto S.p.A., the Social Security Fund for employees of the agencies of the Tax and for the employees Collections Service, of the tax collection agency of Cassa di Risparmio di Trento e Rovereto S.p.A." Section A - Registration No.9131</b>	<b>265</b>	<b>-</b>	<b>Defined benefit</b>		
<b>Opening balance as at 12.31.2015</b>				<b>30,330</b>	
Provisions for the year:					
- Interest cost				500	
- Settlement (gain)/loss				(756)	
Benefits paid in the year				2,525	
Settlement				5,923	
Actuarial (gains)/losses recognised in the year				3,320	
<b>Balance as at 12.31.2016</b>				<b>24,946</b>	
<b>"Contract for Pensions and Social Security for Staff belonging to the Management/Senior Management, Officers, Managers, Employees, Subordinate employee and Auxiliary staff categories of Cariverona Banca S.p.A." - Registration No.9013</b>	<b>386</b>	<b>-</b>	<b>Defined benefit</b>		
<b>Opening balance as at 12.31.2015</b>				<b>59,132</b>	
Provisions for the year:					
- Interest cost				983	
- Settlement (gain)/loss				(4,138)	
Benefits paid in the year				3,518	
Settlement				20,533	
Actuarial (gains)/losses recognised in the year				1,373	
<b>Balance as at 12.31.2016</b>				<b>33,299</b>	Payable by the Company on the basis of the technical accounts

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Supplementary pension fund of the obligatory insurance, invalidity, widows and survivors insurance (managed by the INPS) of the Cassa di Risparmio di Ancona" (absorbed on 1/10/89 by Cariverona Banca Spa) - Registration No.9033</b>	20	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>2,314</b>	
Provisions for the year:					-
- Interest cost				38	
- Settlement (gain)/loss				(60)	
Benefits paid in the year				201	
Settlement				561	
Actuarial (gains)/losses recognised in the year				154	
<b>Balance as at 12.31.2016</b>				<b>1,684</b>	
<b>"Pension fund for employees, clerks and auxiliary workers of Banca Cuneese Lamberti Meinardi &amp; C. - Cuneo" (absorbed on 1/8/92 by Cariverona Banca Spa) - Registration No.9012</b>	14	3	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>4,338</b>	
Provisions for the year:					Payable by the Company on the basis of the technical accounts.
- Current service cost (gross)				9	
- Interest cost				73	
- Settlement (gain)/loss				(354)	
Benefits paid in the year				134	Payable by Employees: 1%
Settlement				1,765	
Employees contributions				1	
Actuarial (gains)/losses recognised in the year				146	
<b>Balance as at 12.31.2016</b>				<b>2,314</b>	
<b>"Pension fund for the employees of the former Credito Fondiario delle Venezie S.p.A." - Registration No.9067</b>	1	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>1,269</b>	
Provisions for the year:					-
- Interest cost				21	
- Settlement (gain)/loss				(125)	
Benefits paid in the year				46	
Settlement				516	
Actuarial (gains)/losses recognised in the year				96	
<b>Balance as at 12.31.2016</b>				<b>699</b>	

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Agreement for the regulation of the social security benefits of the employees of the Istituto Federale delle Casse di Risparmio delle Venezie S.p.A" - Registration No.9068</b>	27	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>4,452</b>	
Provisions for the year:					
- Interest cost				74	-
- Settlement (gain)/loss				(564)	
Benefits paid in the year				339	
Settlement				1,294	
Actuarial (gains)/losses recognised in the year				201	
<b>Balance as at 12.31.2016</b>				<b>2,530</b>	
<b>"Internal Company Fund (FIA) of the former Credito Romagnolo" + CIP former Banca del Friuli - Registration No.9151</b>	508	-			
<b>Opening balance as at 12.31.2015</b>				<b>82,797</b>	
Provisions for the year:					
- Interest cost				1,384	-
- Settlement (gain)/loss				(7,624)	
Benefits paid in the year				5,446	
Settlement				34,839	
Actuarial (gains)/losses recognised in the year				12,614	
<b>Balance as at 12.31.2016 (*)</b>				<b>48,886</b>	
(*) of which Actual value of the obligation stipulated by the Agreement dated 01.31.1990 item 18.				-	
<b>"Supplementary Pension Fund for the employees of the former Carimonte Banca S.p.A." - Registration No.9147</b>	77	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>11,480</b>	
Provisions for the year:					
- Interest cost				192	-
- Settlement (gain)/loss				(938)	
Benefits paid in the year				544	
Settlement				5,040	
Actuarial (gains)/losses recognised in the year				(82)	
<b>Balance as at 12.31.2016</b>				<b>5,068</b>	

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Fund for the employees of Magazzini Generali" - Registration No.9148</b>	1	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>100</b>	
Provisions for the year:					
- Interest cost				2	-
Benefits paid in the year				10	
Actuarial (gains)/losses recognised in the year				7	
<b>Balance as at 12.31.2016</b>				<b>99</b>	
<b>"Supplementary retirement benefits in favour of the members of the General Management of Credito Italiano who retired between January 1, 1963 and September 30, 1989 attributed to UniCredito Italiano" - Registration No.9029</b>	10	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>6,277</b>	
Provisions for the year:					
- Interest cost				103	
Benefits paid in the year				768	
Actuarial (gains)/losses recognised in the year				1,541	
<b>Balance as at 12.31.2016</b>				<b>7,153</b>	
<b>"Company Social Security Fund supplementing INPS benefits. Additional-benefit reserve accounts for employees of former Banca dell'Umbria 1462 S.p.A." included the Tax Collection Service SORIT '- Registration No.9021 and No.9020</b>	50	-	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>9,871</b>	
Provisions for the year:					
- Interest cost				165	
- Settlement (gain)/loss				(1,683)	
Benefits paid in the year				493	
Settlement				3,254	
Actuarial (gains)/losses recognised in the year				(306)	
<b>Balance as at 12.31.2016</b>				<b>4,300</b>	

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Company Social Security Fund supplementing INPS benefits of Cassa Risparmio Carpi S.p.A. Defined-benefit reserve account for former employees" - Registration No.9022</b>	<b>19</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>2,119</b>	
Provisions for the year:					
- Interest cost				35	-
- Settlement (gain)/loss				(51)	
Benefits paid in the year				211	
Settlement				294	
Actuarial (gains)/losses recognised in the year				(81)	
<b>Balance as at 12.31.2016</b>				<b>1,517</b>	
<b>"Pension fund for the employees of former UniCredit Banca Mediocredito" - Registration No.9127</b>	<b>21</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>1,967</b>	
Provisions for the year:					
- Interest cost				32	-
- Settlement (gain)/loss				(62)	
Benefits paid in the year				229	
Settlement				322	
Actuarial (gains)/losses recognised in the year				6	
<b>Balance as at 12.31.2016</b>				<b>1,392</b>	
<b>Pension fund for the employees of Capitalia Head Office (former Banco di S.Spirito, former Banco di Roma and former Cassa di Risparmio di Roma)" - Registration No.9165</b>	<b>75</b>	<b>29 (*)</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>87,054</b>	Payable by the Company on the basis of the technical accounts
Provisions for the year:					
- Current service cost(gross)				73	
- Interest cost				1,459	
- Settlement (gain)/loss				(3,713)	
Benefits paid in the year				5,356	
Settlement				18,207	
Actuarial (gains)/losses recognised in the year				(5,664)	
<b>Balance as at 12.31.2016</b>				<b>55,646</b>	

(\*) of which 25 deferred benefit.

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>Statement post-employment benefits and pensions for staff of the Cassa di Risparmio di Roma - Registration No.9096</b>	<b>860</b>	<b>166(*)</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>141,981</b>	
Provisions for the year:					Payable by the Company on the basis of the technical accounts
- Current service cost (gross)				249	
- Interest cost				2,394	
- Settlement (gain)/loss				(14,585)	
Benefits paid in the year				4,085	
Settlement				70,685	
Actuarial (gains)/losses recognised in the year				(336)	
<b>Balance as at 12.31.2016</b>				<b>54,933</b>	

(\*) of which 55 deferred benefit.

<b>Statement of "Post-employment benefit for staff of Banco di Sicilia" - Registration No.9161</b>	<b>1,496</b>	<b>161(*)</b>	Defined benefit		Payable by the Company on the basis of the technical accounts
<b>Opening balance as at 12.31.2015</b>				<b>154,537</b>	
Provisions for the year:					Payable by employees: - Senior Management: 0.8%; - Management (3rd and 4th grade): 0.6%; - Management (1st and 2nd grade): 0.3%; - Other staff: 0.15%.
- Interest cost				2,576	
- Settlement (gain)/loss				(9,504)	
Employees contributions				8,546	
Settlement				51,613	
Benefits paid in the year				13	
Actuarial (gains)/losses recognised in the year				1,042	
<b>Balance as at 12.31.2016</b>				<b>88,505</b>	

(\*) of which 46 deferred benefit.

<b>Statement of the "FIP former Sicilcassa - supplementary pension fund for staff of Cassa Centrale di Risparmio V.E. per le province siciliane" - Registration No.9063</b>	<b>674</b>	<b>-</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>76,894</b>	
Provisions for the year:					Payable by the Company on the basis of the technical accounts
- Interest cost				1,281	
- Settlement (gain)/loss				(11,401)	
Benefits paid in the year				2,496	
Settlement				43,157	
Actuarial (gains)/losses recognised in the year				(620)	
<b>Balance as at 12.31.2016</b>				<b>20,501</b>	



Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	NO. OF MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>Statement of the "Pension fund for employees of the former Banca di Roma - London Branch"</b>	<b>6</b>	<b>20(*)</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>4,442</b>	
Provisions for the year:					
- Interest cost				235	
- Performance of plan assets				(107)	
Benefits paid in the year				348	-
Exchange rate effect				(634)	
Actuarial (gains)/losses recognised in the year				374	
<b>Balance as at 12.31.2016</b>				<b>3,962</b>	
<b>Present value of the liabilities</b>				<b>10,248</b>	
<b>Present value of plan assets</b>				<b>6,286</b>	
<b>Net Liability as at 12.31.2016</b>				<b>3,962</b>	

(\*) of which 20 deferred benefit.

<b>"Pension fund for the employees of the London Branch" (ex Credito Italiano)</b>	<b>11</b>	<b>71(*)</b>	Defined benefit		
<b>Opening balance as at 12.31.2015</b>				<b>3,583</b>	
Provisions for the year:					
- Current service cost (gross)				325	
- Interest cost				996	
- Performance of plan assets				(891)	
Benefits paid in the year				1,215	-
Exchange rate effects				(511)	
Actuarial (gains)/losses recognised in the year				5,104	
<b>Balance as at 12.31.2016</b>				<b>7,391</b>	
<b>Present value of the liabilities</b>				<b>34,568</b>	
<b>Present value of plan assets</b>				<b>27,177</b>	
<b>Net Liability as at 12.31.2016</b>				<b>7,391</b>	

(\*) of which 66 deferred benefit.

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	ACTIVE MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Supplementary Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto S.p.A., the Social Security Fund for the employees of the tax collection agencies of the Tax Collection Service and for the employees of the tax collection agency of Cassa di Risparmio di Trento e Rovereto S.p.A." Sections B e C - Registration No.9131	-	3	Defined contribution - individual capitalisation		Payable by the Company: - for employees ante(*): min. 2% max 14.35%; - for employees post(*): min. 2% - max 2.35% + empl. sever. pay + average monthly Euribor rate on Equity
<b>Opening balance as at 12.31.2015</b>				<b>36,276</b>	
<b>Decreases:</b>				<b>36,123</b>	
Capital paid out in the year				124	
Transfer out to Group Pension Fund				35,999	
Other changes				-	
<b>Increases:</b>				<b>118</b>	
Other changes:					Payable by employees: - by employees ante(*) 0.50%; - by employees post(*) 2%
- Contributions paid by employees and the Company <sup>(1)</sup>				87	
- Contributions paid by other Group Companies <sup>(1)</sup>				31	
- Other changes				-	
<b>Balance as at 12.31.2016</b>				<b>271</b>	
<b>FUND ASSETS</b>					
Liquid assets				270	
Items to be settled				1	
<b>Total assets</b>				<b>271</b>	

(1) includes employee severance pay.

(\*) ante/post employees: those who joined the complementary social security fund before/after 04.28.1993, when Legislative Decree 124/93 came into force.

Continued: Statement of changes in internal pension funds

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2016	ACTIVE MEMBERS AS AT 12.31.2016	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
<b>"Company Pension Fund supplementing INPS benefits. Defined-contribution account of former Banca dell'Umbria 1462 S.p.A." - Registration No.9021</b>	-	2	Defined contribution		Employees "ante"(*): - payable by the employee 0.25% with the option to contribute also the employee severance pay; - payable by the Company: from 2% to 6.28%.
<b>Opening balance as at 12.31.2015</b>				<b>193</b>	
<b>Decreases:</b>				-	
Capital paid out in the year				-	
<b>Increases:</b>				<b>7</b>	
Other changes:					
- Contributions paid by other Group Companies <sup>(1)</sup>				7	Employees "post"(*): - payable by the employee min. 0.25% + sever. pay; - payable by the Company: 2%.
<b>Balance as at 12.31.2016</b>				<b>200</b>	
<b>FUND ASSETS</b>					
Liquid assets				200	
Items to be settled				-	
<b>Total assets</b>				<b>200</b>	

(1) includes employee severance pay.

(\*) ante/post employees: those who joined the supplementary social security fund before/after 04.28.1993, when Legislative Decree 124/93 came into force.

<b>"Company Social Security Fund supplementing INPS benefits. Defined-contribution account - (cost of living) of former Banca dell'Umbria 1462 S.p.A." - Registration No.9021</b>			Defined contribution		
<b>Opening balance as at 12.31.2015</b>				<b>206</b>	
Provisions for the year				-	
<b>Balance as at 12.31.2016</b>				<b>206</b>	

### Internal Pension Funds

As a result of general reorganization of the Company Pension System shared between the Company and Labor Unions in "Programmatic Agreement path" signed on October 8, 2015 and following the subsequent arrangements, during the year 2016 it was achieved, with effect from January 1, 2017, the confluence of all the internal pension funds in the Group Pension Fund, also completing the phase of capitalization of pension benefits paid to pensioners of these internal funds.

## Securitizations - qualitative tables

### Traditional securitizations of Performing and Non-Performing loans

<p>STRATEGIES, PROCESSES AND GOALS:</p>	<p>The initiatives are a part of the Group's strategies, one of the objectives of which is to finance, at competitive rates (and in large amounts), the development of medium and long-term "Performing" and "Non-Performing" loan portfolios through the structuring of such portfolios and the resulting release of financial resources for new investments and also creating eligible securities for refinancing operations with the ECB and/or with third parties (counterbalancing capacity). The main advantages of the transactions can be summarized as follows: - improvement in the matching of asset maturities; - diversification of sources of financing; - broadening of investor base and resulting optimization of funding cost; - creating counterbalancing capacity. Moreover, securitization transactions can also be implemented for purposes related to business projects (for better management of assets), corporate restructuring or deleveraging projects.</p>
<p>INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:</p>	<p>UniCredit S.p.A. acts as "Servicer" for almost all transactions concerned for which is Originator. As per the agreements entered into with issuing companies (special purpose vehicles - SPV), servicing consists of performing, on behalf of these companies, administrative, collection and securitized loan collection activities as well as the management of any recovery procedures for impaired loans. Thus, as Servicer, UniCredit S.p.A. is charged with continually tracking cash flows from securitized loans and constantly monitoring their collection, with the assistance of third party companies (especially for the recovery of impaired loans; the company involved is DoBank S.p.A., which operates as an assistant to the Servicer, governed by a special agreement).</p> <p>The Service provides the Special Purpose Vehicle (and other counterparties indicated in the servicing agreements) information on the activity performed by, periodically reports that indicate, among other things, the collection and transfer of the income stream sold, the amount of default positions and recoveries completed, overdue installments, etc., with all information broken down in relation to specific transactions. These reports (which are usually quarterly) are periodically checked (if contractually required) by an auditing firm.</p>
<p>ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:</p>	<p>From a strategic point of view, Group Finance Department is responsible for central coordination. In this context, the above structure plays: a) in the launch phase of the operation the role of proposer and provides support to the other Bank's Divisions and to the individual Legal Entities in conducting transactions, cooperating with all the other departments (Planning &amp; Capital Management, Group Risk Management, M&amp;A etc.) in identifying the characteristics and the distinctive features of "true sale" securitizations loans in order to achieve the targets set in the Group's Funding Plan and in the Contingency Funding Plan, approved by the Board of Directors, in the ordinary plan of creating counterbalancing capacity, as well as in organizational strategy and business of Top Management. Specific transactions are subject to prior approval by the competent departments of the Holding and of the Originator Bank (during approval, among other things, the structure, costs and impacts in terms of liquidity, counterbalancing capacity, organizational, business and/or any capital relief are discussed and analyzed), and to final approval by the Board of Directors of the Originator Bank; b) in the management phase of the operation, the monitoring role of the securitized portfolios, the interactions with the Ratings Agencies in order to submit regular information on portfolios and comment rating actions and, more generally, the role of coordination of the Originator Bank to facilitate the solution of events relating to the securitised portfolios (management of actions of payments holidays, downgrading, restructurings, etc.). The Bank has established a special coordination unit (GL &amp; Securitization Reporting) within the Accounting &amp; Regulatory Reporting Department. This unit has been tasked with administrative activities connected to the Servicer and Account Bank related-duties, and to carry out these duties, it works in close cooperation with specific, qualified areas of the Bank (Group Risk Management, Group Finance, Group Legal Advice &amp; Contracts, etc.) and the Group (UniCredit Business Integrated Solutions S.C.p.A., etc.). It also provides a technical and operational support to network units. The information regarding the monitoring of collections and the performance of the securitized portfolio is periodically submitted to the Servicer's Board of Directors.</p>
<p>HEDGING POLICIES:</p>	<p>By agreement, securitized portfolios can be protected from interest rate risk by means of the Special Purpose Vehicle entering into Interest Rate Swap (IRS) agreements to hedge a fixed-rate portfolio, and Basis Swaps to hedge an indexed rate portfolio. In connection with these swaps, always if required by agreements, related back-to-back swap contracts are entered into between the Swap counterparty and UniCredit S.p.A. as Originator, interfaced in some cases by UniCredit Bank AG.</p>
<p>OPERATING RESULTS:</p>	<p>At the end of December 2016, the operating results related to existing securitization transactions essentially reflected the performance of underlying portfolios and the resulting cash flows, and obviously are affected by the amount of defaults and prepayments during the period, which, moreover, are in line with the performance seen in other assets of this kind that are not securitized. The exercise of the option to repurchase the securitized portfolio underlying operation "Cordusio RMBS" did not result in significant additional economic impacts.</p>

**ORIGINATOR: UniCredit S.p.A.**

**New transactions 2016**

<b>NAME:</b>		<b>CONSUMER THREE</b>	
Type of securitisation:	Traditional		
Originator:	UniCredit S.p.A.		
Issuer:	Consumer Three S.r.l.		
Servicer:	UniCredit S.p.A.		
Arranger:	UniCredit S.p.A.		
Target transaction:	Funding/Counterbalancing capacity		
Type of asset:	Personal loans		
Quality of Asset:	Performing		
Closing date:	04.20.2016		
Nominal Value of disposal portfolio (€):	4,077,354,013		
Net amount of preextinting writedown/writebacks:	4,077,354,013		
Disposal Profit & Loss realized:	-		
Portfolio disposal price (€):	4,096,856,762		
Guarantees issued by the Bank:	-		
Guarantees issued by Third Parties:	-		
Bank Lines of Credit:	-		
Third Parties Lines of Credit:	-		
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of 50 million euro. UniCredit S.p.A. also paid into an eligible entity a cash reserve amount outstanding, at the end of accounting period, for €60.3 million.		
Other relevant information:	Self-securitisation		
Rating Agencies:	Moody's / Fitch		
Amount of CDS or other supersenior risk transferred:			
Amount and Condition of tranching:			
. ISIN	IT0005176505	IT0005176513	
. Type of security	Senior	Junior	
. Class	A	J	
. Rating	A/Aa2	n.r.	
. Quotation	-	-	
. Issue date	04.21.2016	04.21.2016	
. Legal maturity	12.31.2040	12.31.2040	
. Call option	Clean-up Call		
. Expected duration (years)	3.6	3.6	
. Rate	170 b.p.	500 b.p.	
. Subordinated level	-	Sub A	
. Nominal value issued (€)	3,015,000,000	1,062,353,969	
. Nominal value at the end of accounting period (€)	3,015,000,000	1,062,353,969	
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.	
<b>Distribution of securitised assets by area (€):</b>			
Italy - Northwest	1,028,068,148		
- Northeast	997,770,903		
- Central	918,043,661		
- South and Islands	1,133,471,301		
Other European Countries - E.U. countries	-		
- non-E.U. countries	-		
America	-		
Rest of the World	-		
<b>TOTAL</b>	<b>4,077,354,013</b>		
<b>Distribution of securitised assets by business sector of the borrower (€):</b>			
Governments	-		
other governments agencies	-		
Banks	-		
Financial Companies	-		
Insurance Companies	-		
Non-financial companies	-		
Other entities	4,077,354,013		
<b>TOTAL</b>	<b>4,077,354,013</b>		

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

## Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

## Transactions from previous periods

NAME:	CONSUMER TWO		LARGE CORPORATE ONE	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Consumer TWO S.r.l.		Large Corporate ONE S.r.l.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		-	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Personal loans		Large Corporate Loans	
Quality of Asset:	Performing		Performing	
Closing date:	11.25.2013		08.13.2013	
Nominal Value of reference portfolio (€):	1,234,022,049		278,606,012	
Issued guarantees by the Bank:	-		Senior Notes Guarantee amounting to €304 million	
Issued guarantees by third parties:	-		-	
Bank Lines of Credit:	-		Interest Shortfall Facility amounting to €13.2 million	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted the SPV, with respect to this transaction, two subordinated loans amounting to €24.68 million and €5 million (at the end of accounting period they are fully reimbursed).		-	
Other relevant information:	In the role of Servicer, UniCredit S.p.A. has had to hedge mingling risk, with a collateral amounting to €29.38 million at December 31, 2016.		The credit line of Interest Shortfall Facility, of the original value of €15 million, was used for €1,844,085.	
Rating Agencies:	Moody's/Fitch		Standard & Poor's	
Amount of CDS or other risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0004974983	IT0004974777	IT0004955776	IT0004955479
. Type of security	Senior	Senior	Senior	Junior
. Class	A1	A2	A	B
. Rating	Aa2/AA+	Aa2/AA+	BBB-	-
. Nominal Value Issued (€)	250,000,000	490,400,000	897,000,000	103,000,000
. Reference Position (€)	250,000,000	490,400,000	250,000,000	28,706,800
. Reference Position at the end of accounting period (€)	12,516,875	24,553,102	250,000,000	28,706,800
. ISIN	IT0004974975			
. Type of security	Junior			
. Class	B			
. Rating	-			
. Reference Position (€)	493,622,030			
. Reference Position at the end of accounting period (€)	493,622,030			

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A.)**

**Transactions from previous periods**

<b>NAME:</b>	<b>CORDUSIO RMBS UCFIN - SERIE 2006 (EX CORDUSIO RMBS 3 - UBCASA 1)</b>	
Type of securitisation:	Traditional	
Originator:	UniCredit Banca per la Casa S.p.A.	
Issuer:	Cordusio RMBS UCFin S.r.l. (ex Cordusio RMBS 3 - UBCasa 1 S.r.l.)	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit Banca Mobiliare S.p.A.	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	11.16.2006	
Nominal Value of disposal portfolio (€):	2,495,969,428	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €14.976 million, which at the end of accounting period is fully reimbursed.	
Other relevant information:	Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €160 million of funds into an eligible entity to maintain its role as an Account Bank. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Fitch/Moody's/Standard & Poor's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004144884	IT0004144892
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	-	AA+/Aa2/AA-
. Nominal value issued (€)	600,000,000	1,735,000,000
. Nominal value at the end of accounting period (€)	-	427,821,852
. ISIN	IT0004144900	IT0004144934
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	AA/Aa2/A	A+/Aa3/A
. Nominal value issued (€)	75,000,000	25,000,000
. Nominal value at the end of accounting period (€)	75,000,000	25,000,000
. ISIN	IT0004144959	IT0004144967
. Type of security	Mezzanine	Junior
. Class	D	E
. Rating	BBB-/Baa2/A	-
. Nominal value issued (€)	48,000,000	12,969,425
. Nominal value at the end of accounting period (€)	48,000,000	12,969,425

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

# Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly UniCredit Banca S.p.A.)**

## Transactions from previous periods

NAME:	CORDUSIO RMBS SECURITISATION - SERIE 2007		CORDUSIO RMBS SECURITISATION - SERIE 2006 (EX CORDUSIO RMBS 2)	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit Banca S.p.A.		UniCredit Banca S.p.A.	
Issuer:	Cordusio RMBS Securitisation S.r.l.		Cordusio RMBS Securitisation S.r.l. (ex Cordusio RMBS 2 S.r.l.)	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	Bayerische Hypo und Vereinsbank AG, London Branch		UniCredit Banca Mobiliare S.p.A	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans		Private Mortgage Loans	
Quality of Asset:	Performing		Performing	
Closing date:	05.22.2007		07.06.2006	
Nominal Value of disposal portfolio (€):	3,908,102,838		2,544,388,351	
Guarantees issued by the Bank:	-		-	
Guarantees issued by Third Parties:	-		-	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €6,253 million, at the end of accounting period that amount is fully reimbursed.		UniCredit S.p.A. has granted SPV a subordinated loan of €6,361 million, at the end of accounting period that amount is fully reimbursed.	
Other relevant information:	Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €236 million of funds into an eligible entity to maintain its role as an Account Bank. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.		Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €170 million of funds into an eligible entity to maintain its role as an Account Bank. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
Rating Agencies:	Fitch/Moody's/Standard & Poor's		Fitch/Moody's/Standard & Poor's	
Amount of CDS or other super senior risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	IT0004231210	IT0004231236	IT0004087158	IT0004087174
. Type of security	Senior	Senior	Senior	Senior
. Class	A1	A2	A1	A2
. Rating	-	A+/Aa2/AA-	-	AA+/Aa2/AA-
. Nominal value issued (€)	703,500,000	2,227,600,000	500,000,000	1,892,000,000
. Nominal value at the end of accounting period (€)	-	119,746,197	-	244,081,622
. ISIN	IT0004231244	IT0004231285	IT0004087182	IT0004087190
. Type of security	Senior	Mezzanine	Mezzanine	Mezzanine
. Class	A3	B	B	C
. Rating	A+/Aa2/A	A+/Aa2/A	AA+/Aa2/A	BBB+/Ba1/A
. Nominal value issued (€)	738,600,000	71,100,000	45,700,000	96,000,000
. Nominal value at the end of accounting period (€)	738,600,000	71,100,000	45,700,000	96,000,000
. ISIN	IT0004231293	IT0004231301	IT0004087216	
. Type of security	Mezzanine	Mezzanine	Junior	
. Class	C	D	D	
. Rating	A/A1/A	B/Ba1/BBB-	-	
. Nominal value issued (€)	43,800,000	102,000,000	10,688,351	
. Nominal value at the end of accounting period (€)	43,800,000	102,000,000	10,688,351	
. ISIN	IT0004231319	IT0004231327		
. Type of security	Mezzanine	Junior		
. Class	E	F		
. Rating	CCC/Caa1/B-	-		
. Nominal value issued (€)	19,500,000	2,002,838		
. Nominal value at the end of accounting period (€)	19,500,000	2,002,838		

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.



**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly Bipop-Carire Società per Azioni)**

**Transactions from previous periods**

<b>NAME:</b>	<b>BIPCA CORDUSIO RMBS</b>	
Type of securitisation:	Traditional	
Originator:	Bipop - Carire, Società per Azioni	
Issuer:	Capital Mortgage Srl	
Servicer:	UniCredit S.p.A.	
Arranger:	Bayerische Hypo und Vereinsbank AG, London Branch	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	12.17.2007	
Nominal Value of disposal portfolio (€):	951,664,009	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €9.514 million. At the end of accounting period €2.8 million of the principal amount has been repaid.	
Other relevant information:	<p>All securities issued outstanding from December 31, 2010 have been retained by UniCredit S.p.A.</p> <p>Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €59 million of funds into an eligible entity to maintain its role as an Account Bank. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.</p>	
Rating Agencies:	Standard & Poor's/Moody's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004302730	IT0004302748
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	AA-/Aa2	A/Aa2
. Nominal value issued (€)	666,300,000	185,500,000
. Nominal value at the end of accounting period (€)	87,955,331	185,500,000
. ISIN	IT0004302755	IT0004302763
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	A/Aa3	BBB-/A2
. Nominal value issued (€)	61,800,000	14,300,000
. Nominal value at the end of accounting period (€)	61,800,000	14,300,000
. ISIN	IT0004302797	IT0004302854
. Type of security	Mezzanine	Mezzanine
. Class	D	E
. Rating	BB-/Baa1	CCC/Baa3
. Nominal value issued (€)	18,000,000	5,500,000
. Nominal value at the end of accounting period (€)	18,000,000	5,500,000
. ISIN	IT0004302912	
. Type of security	Junior	
. Class	F	
. Rating	-	
. Nominal value issued (€)	250,000	
. Nominal value at the end of accounting period (€)	250,000	

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

## Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly Banca di Roma S.p.A.)**

Transactions from previous periods

<b>NAME:</b>	<b>CAPITAL MORTGAGE 2007 - 1</b>	
Type of securitisation:	Traditional	
Originator:	Banca di Roma S.p.A.	
Issuer:	Capital Mortgage S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	Capitalia S.p.A.	
Target transaction:	Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans	
Quality of Asset:	Performing	
Closing date:	05.14.2007	
Nominal Value of disposal portfolio (€):	2,183,087,875	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €37.19 million (as equity).	
Other relevant information:	Tranching based on an original assets portfolio €2,479.4 million, reduced to €2,183.1 million due to checks after closing date. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid funds into an eligible entity amounting to €155.75 million at December 31, 2016 to maintain its role as Account Bank.	
Rating Agencies:	S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	IT0004222532	IT0004222540
. Type of security	Senior	Senior
. Class	A1	A2
. Rating	AA-/Baa2/B+	AA-/Baa2/B+
. Nominal value issued (€)	1,736,000,000	644,000,000
. Nominal value at the end of accounting period (€)	269,356,718	410,040,596
. ISIN	IT0004222557	IT0004222565
. Type of security	Mezzanine	Junior
. Class	B	C
. Rating	BB/B3/CCC	D/Ca/CC
. Nominal value issued (€)	74,000,000	25,350,000
. Nominal value at the end of accounting period (€)	74,000,000	25,350,000

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly FinecoBank S.p.A.)**

**Transactions from previous periods**

NAME:	F-E MORTGAGES 2005		F-E MORTGAGES SERIES 1-2003		HELICONUS	
Type of securitisation:	Traditional		Traditional		Traditional	
Originator:	FinecoBank S.p.A.		Fin-eco Banca ICQ S.p.A.		Fin-eco Banca ICQ S.p.A.	
Issuer:	F-E Mortgages S.r.l.		F-E Mortgages S.r.l.		Heliconus S.r.l.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	MCC S.p.A. - Group Capitalia		MCC S.p.A. - Group Capitalia		MCC S.p.A. - Group Capitalia	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Private Mortgage Loans		Private Mortgage Loans		Private Mortgage Loans	
Quality of Asset:	Performing		Performing		Performing	
Closing date:	04.06.2005		11.27.2003		11.08.2002	
Nominal Value of disposal portfolio (€):	1,028,683,779		748,630,649		408,790,215	
Guarantees issued by the Bank:	-		-		-	
Guarantees issued by Third Parties:	-		-		-	
Bank Lines of Credit:	-		UniCredit S.p.A. issued a credit line for €20 million (jointly with The Royal Bank of Scotland Milan Branch). The amount of line of credit is totally redeemed.		UniCredit S.p.A. issued a credit line for €10.22 million. The amount of the credit line is totally redeemed.	
Third Parties Lines of Credit:	-		-		-	
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loan of €15.431 million (as Equity). At the end of accounting period the amount of capital tranche is fully reimbursed.		-		-	
Other relevant information:	-		Following the downgrade of Royal Bank of Scotland Plc by Moody's, on August 3, 2012 UniCredit S.p.A. made a reserve of €20 million for the SPV, corresponding to the liquidity line.		Following its downgrade by Moody's, on January 12, 2012 UniCredit S.p.A. made a reserve of €10.22 million for the SPV, corresponding to the liquidity line.	
Rating Agencies:	S & P/Moody's/Fitch		S & P/Moody's/Fitch		S & P/Moody's/Fitch	
Amount of CDS or other supersenior risk transferred:	-		-		-	
Amount and Conditions of tranching:						
. ISIN	IT0003830418	IT0003830426	IT0003575039	IT0003575070	IT0003383855	IT0003383871
. Type of security	Senior	Mezzanine	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A1	B	A	B
. Rating	AA-/Aa2/AA+	A/Aa2/AA+	AA-/Aa2/AA+	A/A2/AA+	AA-/Aa2/AA+	-/A1/AA
. Nominal value issued (€)	951,600,000	41,100,000	682,000,000	48,000,000	369,000,000	30,800,000
. Nominal value at the end of accounting period (€)	135,474,439	36,863,691	53,045,380	48,000,000	25,542,582	30,800,000
. ISIN	IT0003830434		IT0003575088	IT0003575096	IT0003383939	
. Type of security	Junior		Mezzanine	Junior	Junior	
. Class	C		C	D	C	
. Rating	BBB-/Aa3/A		A/Baa1/AA+	-	-	
. Nominal value issued (€)	36,000,000		11,000,000	7,630,000	8,990,200	
. Nominal value at the end of accounting period (€)	32,289,365		11,000,000	7,630,000	8,990,200	

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

## Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Credit Management Bank S.p.A.)

Transactions from previous periods

NAME:	ARENA NPL ONE	
Type of securitisation:	Self-securitisation	
Originator:	UCCMB S.p.A.	
Issuer:	Arena NPL S.r.L.	
Servicer:	UniCredit S.p.A.	
Arranger:	UBS	
Target transaction :	Funding	
Type of asset:	Unsecured loans - mortgage loans	
Quality of asset:	Non-Performing	
Closing date:	12.04.2014	
Nominal Value of disposal portfolio (€):	8,460,706,273	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	UniCredit S.p.A. issued a line of Liquidity Facility revolving amounts to €100 million, used for €64.24 million at the end of accounting period.	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	UniCredit S.p.A. has granted SPV a loans facility of €30 million, used for legal expenses	
Rating Agencies:	No Rating Agency	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005070120	IT0005070138
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Nominal value issued (€)	304,300,000	913,049,310
. Nominal value at the end of accounting period (€)	167,906,252	913,049,310

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A. (formerly Capitalia S.p.A., formerly Banca di Roma S.p.A.)**

STRATEGIES, PROCESSES AND GOALS:	The goals of the transaction were largely to finance portfolios, diversify sources of funding and improve asset quality.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	The securitization portfolio is monitored on an ongoing basis by the servicing company and is recorded in quarterly reports with a breakdown of security status and the trend of repayments.
ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	Reporting produced by servicing companies on the monitoring of portfolio collections is forwarded to senior management and the board of directors.
HEDGING POLICIES:	Special purpose vehicles enter into IRS contracts in order to hedge rate risk related to the structure of underlying securities.
OPERATING RESULTS:	The results achieved up to the present are broadly in line with expectations; payments received from the portfolio acquired ensured punctual and full payment to security holders and other parties to the transaction.

**Transactions from previous periods**

NAME:	CAESAR FINANCE	
Type of securitisation:	Traditional	
Originator:	Banca di Roma S.p.A	
Issuer:	Caesar Finance S.A.	
Servicer:	Bank of New York	
Arranger:	Donaldson, Lufkin & Jenrette	
Target transaction:	Funding	
Type of asset:	Collateralised Bond Obligation	
Quality of asset:	Performing	
Closing date:	11.05.1999	
Nominal Value of disposal portfolio (€):	360,329,000	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	-	
Rating Agencies:	Fitch/Moody's	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	XS0103928452	XS0103929773
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Nominal value issued (€)	270,000,000	90,329,000
. Nominal value at the end of accounting period (€)	-	48,340,869

# Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

**New transactions 2016**

NAME:	PILLARSTONE ITALY - PREMUDA	
Type of securitisation:	Traditional	
Originator:	UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.	
Arranger:	NA	
Target transaction:	Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.	
Type of asset:	Corporate loans	
Quality of Asset:	Unlikely to pay	
Closing date:	07.14.2016	
Nominal Value of disposal portfolio:	\$78.220.999,08 + €28.014.541,23	
Net amount of pre-existing writedown/writebacks:	-	
Disposal Profit & Loss realized (€):	-	
Portfolio disposal price (€):	\$78.220.999,08 + €28.014.541,23	
Guarantees issued by the Bank:	no	
Guarantees issued by Third Parties:	no	
Bank Lines of Credit :	no	
Third Parties Lines of Credit (€):	7.000.000	
Other Credit Enhancements (€):	no	
Other relevant information:	no	
Rating Agencies:	no	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005203937	IT0005203952
. Type of security	Senior (*)	Mezzanine (*)
. Class	A	B
. Rating	NA	NA
. Quotation	NA	NA
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	no	
. Expected duration (years)	5.0	5.0
. Rate	8.50%	2.67%
. Subordinated level		Sub A
. Nominal value issued	€2.743.000	\$57.663.000
. Nominal value at the end of accounting period	€2.743.000	\$57.663.000
. Security subscribers	Pall Mall Solution ICAV	UniCredit S.p.A.
. ISIN	IT0005204125	IT0005204133
. Type of security	Junior (*)	Junior (*)
. Class	C	C
. Rating	NA	NA
. Quotation	NA	NA
. Issue date	07.14.2016	07.14.2016
. Legal maturity	10.20.2030	10.20.2030
. Call option	no	
. Expected duration (years)	5.0	5.0
. Rate	9.71%	10.69%
. Subordinated level	Sub A,B	Sub A,B
. Nominal value issued	€25.272.000	\$20.558.000
. Nominal value at the end of accounting period	€25.272.000	\$20.558.000
. Security subscribers	UniCredit S.p.A.	UniCredit S.p.A.
<b>Distribution of securitised assets by area (€):</b>		
Italy - Northwest	-	
- Northeast	\$78.220.999,08 + €28.014.541,23	
- Central	-	
- South and Islands	-	
Other European Countries - E.U. countries	-	
- non-E.U. countries	-	
America	-	
Rest of the World	-	
<b>TOTAL</b>	<b>\$78.220.999,08 + €28.014.541,23</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>		
Governments	-	
other governments agencies	-	
Banks	-	
Financial Companies	-	
Insurance Companies	-	
Non-financial companies	\$78.220.999,08 + €28.014.541,23	
Other entities	-	
<b>TOTAL</b>	<b>\$78.220.999,08 + €28.014.541,23</b>	

(\*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitizations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.

**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous periods**

NAME:	PILLARSTONE ITALY - BURGO		PILLARSTONE ITALY - COMITAL	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.		Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.		Securitisation Services S.p.A.	
Arranger:	Not applicable		Not applicable	
Target transaction:	Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.		Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.	
Type of asset:	Corporate loans		Corporate loans	
Quality of Asset:	Unlikely to pay		Unlikely to pay	
Closing date:	12.10.2015		12.10.2015	
Nominal Value of disposal portfolio (€):	150,646,763		33,074,000	
Net amount of pre-existing writedown/writebacks:	-		-	
Disposal Profit & Loss realized (€):	-		-	
Portfolio disposal price (€):	150,646,763		33,074,000	
Guarantees issued by the Bank:	No		No	
Guarantees issued by Third Parties:	No		No	
Bank Lines of Credit:	No		No	
Third Parties Lines of Credit (€):	7,000,000		2,500,000	
Other Credit Enhancements (€):	21,998,763		No	
Other relevant information:	Credit Enhancement is represented by the deferred purchase price (DPP), subordinated to the junior security for the payment, of a convertible loan sold to the vehicle.		No	
Rating Agencies:	No		No	
Amount of CDS or other supersenior risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0005154809	IT0005154825	IT0005152324	IT0005152340
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	12.10.2015	12.10.2015	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030	10.20.2030	10.20.2030
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0	5.0	5.0	5.0
. Rate	8.50%	EUR6M(360) + 200bps	8.50%	EUR6M(360) + 78bps
. Subordinated level	-	Sub A	-	Sub A
. Nominal value issued (€)	5,423,000	103,043,000	810,000	15,396,000
. Nominal value at the end of accounting period (€)	5,423,000	103,043,000	6,894	13,393,035
. Security subscribers	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.
. ISIN	IT0005155251		IT0005152357	
. Type of security	Junior <sup>(*)</sup>		Junior <sup>(*)</sup>	
. Class	C		C	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	12.10.2015		12.10.2015	
. Legal maturity	10.20.2030		10.20.2030	
. Call option	No		No	
. Expected duration (years)	5.0		5.0	
. Rate	EUR6M(360)+1000bps		EUR6M(360)+1000bps	
. Subordinated level	Sub A, B		Sub A, B	
. Nominal value issued (€)	20,182,000		16,868,000	
. Nominal value at the end of accounting period (€)	20,182,000		16,868,000	
. Security subscribers	UniCredit S.p.A.		UniCredit S.p.A.	

(\*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitizations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.

# Securitizations - qualitative tables

NAME:	PILLARSTONE ITALY - LEDIBERG		PILLARSTONE ITALY - RAINBOW	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.		Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.		Securitisation Services S.p.A.	
Arranger:	Not applicable		Not applicable	
Target transaction:	Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.		Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.	
Type of asset:	Corporate loans		Corporate loans	
Quality of Asset:	Unlikely to pay		Unlikely to pay	
Closing date:	12.10.2015		12.10.2015	
Nominal Value of disposal portfolio (€):	30,508,000		74,216,000	
Net amount of pre-existing writedown/writebacks:	-		-	
Disposal Profit & Loss realized:	-		-	
Portfolio disposal price (€):	30,508,000		74,216,000	
Guarantees issued by the Bank:	No		No	
Guarantees issued by Third Parties:	No		No	
Bank Lines of Credit:	No		No	
Third Parties Lines of Credit (€):	3,000,000		3,500,000	
Other Credit Enhancements:	-		No	
Other relevant information:	-		No	
Rating Agencies:	No		No	
Amount of CDS or other supersenior risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0005154726	IT0005154734	IT0005155833	IT0005155103
. Type of security	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>	Senior <sup>(*)</sup>	Mezzanine <sup>(*)</sup>
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	12.10.2015	12.10.2015	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030	10.20.2030	10.20.2030
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0	5.0	5.0	5.0
. Rate	8.50%	Until 06.30.2016: EUR6M(360) + 25bps From 07.01.2016: EUR6M(360) + 200bps	8.50%	EUR6M(360) + 129bps
. Subordinated level	-	Sub A	-	Sub A
. Nominal value issued (€)	244,000	4,637,000	890,000	16,921,000
. Nominal value at the end of accounting period (€)	244,000	4,637,000	890,000	16,921,000
. Security subscribers	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.
. ISIN	IT0005154759		IT0005155111	
. Type of security	Junior <sup>(*)</sup>		Junior <sup>(*)</sup>	
. Class	C		C	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	12.10.2015		12.10.2015	
. Legal maturity	10.20.2030		10.20.2030	
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0		5.0	
. Rate	EUR6M(360)+1000bps		EUR6M(360)+1000bps	
. Subordinated level	Sub A, B		Sub A, B	
. Nominal value issued (€)	25,627,000		56,405,000	
. Nominal value at the end of accounting period (€)	25,627,000		56,405,000	
. Security subscribers	UniCredit S.p.A.		UniCredit S.p.A.	

(\*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitizations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.



## SYNTHETIC TRANSACTIONS

**ORIGINATOR: UniCredit S.p.A.**

### New transactions 2016

NAME:	ARTS MIDCAP4		AGRIBOND	
Type of securitisation:	Tranché Cover		Tranché Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Loans to Small and Mid Corporate		Unsecured loans - maturity 72 months - to small and medium enterprises pertaining to the agriculture sector	
Quality of Asset:	Performing		Performing	
Closing date:	06.21.2016		06.30.2015	
Nominal Value of reference portfolio (€):	2,258,505,513		172,000,000	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	funded cash collateralized financial guarantee hedging the junior risk		unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	n.a.	n.a.	n.a.	n.a.
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	n.r.	n.r.	n.r.	n.r.
. Quotation	not listed	not listed	not listed	not listed
. Issue date	06.21.2016	06.21.2016	06.30.2015	06.30.2015
. Legal maturity	01.31.2036	01.31.2036	02.28.2021	02.28.2021
. Call option	Clean-up call, Regulatory Call, Time call		n.a.	
. Expected duration (years)	WAL 3.8Y; time call after 5Y; regulatory call expected Mar 2024	WAL 3.8Y; time call after 5Y; regulatory call expected Mar 2024	02.28.2021	02.28.2021
. Rate	n.a.	n.a.	n.a.	n.a.
. Subordinated level	-	Sub A	-	-
. Reference Position (€)	2,145,505,513	113,000,000	161,256,654	10,743,346
. Reference Position at the end of accounting period (€)	1,874,162,768	113,000,000	130,675,784	10,743,346
. Security subscribers	UniCredit S.p.A.	hedged by protection seller	UniCredit S.p.A.	partially hedged by protection
<b>Distribution of securitised assets by area (€):</b>				
Italy - Northwest	630,081,597		30,888,251	
- Northeast	389,776,203		92,686,166	
- Central	960,503,955		15,908,691	
- South and Islands	278,143,758		32,516,892	
Other European Countries - E.U., countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
<b>TOTAL</b>	<b>2,258,505,513</b>		<b>172,000,000</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	2,258,505,513		172,000,000	
Other entities	-		-	
<b>TOTAL</b>	<b>2,258,505,513</b>		<b>172,000,000</b>	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

# Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

**New transactions 2016**

NAME:	BOND ITALIA3 INVESTIMENTI		BOND ITALIA3 MISTO	
Type of securitisation:	Tranché Cover		Tranché Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans - maturity between 24 and 60 months - to small and medium enterprises		unsecured loans - maturity between 18 and 60 months - to small and medium enterprises	
Quality of Asset:	Performing		Performing	
Closing date:	05.14.2016		05.14.2016	
Nominal Value of reference portfolio (€):	99,037,451		166,024,432	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	unfunded financial guarantee hedging the junior risk		unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Standardized Approach (*)		No rating agency, use of Standardized Approach (*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	n.a.	n.a.	n.a.	n.a.
. Type of security	Senior	Junior	Senior	Junior
. Class	-	-	-	-
. Rating	n.r.	n.r.	n.r.	n.r.
. Quotation	not listed	not listed	not listed	not listed
. Issue date	05.14.2016	05.14.2016	05.14.2016	05.14.2016
. Legal maturity	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Call option	Not applicable		Not applicable	
. Expected duration (years)	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Rate	n.a.	n.a.	n.a.	n.a.
. Subordinated level	-	-	-	-
. Reference Position (€)	91,609,642	7,427,809	155,647,905	10,376,527
. Reference Position at the end of accounting period (€)	76,611,192	7,427,809	97,998,695	10,376,527
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection	UniCredit S.p.A.	Partially hedged by protection
<b>Distribution of securitised assets by area (€):</b>				
Italy - Northwest	31,652,369		56,215,873	
- Northeast	35,296,948		50,039,764	
- Central	15,548,880		26,148,848	
- South and Islands	16,539,254		33,619,947	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
<b>TOTAL</b>	<b>99,037,451</b>		<b>166,024,432</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	99,037,451		166,024,432	
Other entities	-		-	
<b>TOTAL</b>	<b>99,037,451</b>		<b>166,024,432</b>	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259.1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

**ORIGINATOR: UniCredit S.p.A.**

**New transactions 2016**

NAME:	BOND ITALIA4 MISTO		ARTS MIDCAP5	
Type of securitisation:	Tranchéd Cover		Tranchéd Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans - maturity between 18 and 60 months - to small and medium enterprises - hedged by FCG		Loans to Mid - Corporate	
Quality of Asset:	Performing		Performing	
Closing date:	12.07.2016		12.02.2016	
Nominal Value of reference portfolio (€):	299,997,840		2,462,951,367	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	unfunded financial guarantee hedging the junior risk		funded cash collateralized financial guarantee hedging the junior	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of SFA Approach (*)		No rating agency, use of Standardized Approach (*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	n.a.		n.a.	
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	n.r.	n.r.	n.r.	n.r.
. Quotation	not listed		not listed	
. Issue date	12.07.2016		12.02.2016	
. Legal maturity	02.28.2021		12.31.2046	
. Call option	n.a.		Clean-up call, Regulatory Call, Time call	
. Expected duration (years)	02.28.2021	02.28.2021	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023	WAL 3,58Y; time call after 5Y; regulatory call expected Dec 2023
. Rate	n.a.		n.a.	
. Subordinated level	-		Sub A	
. Reference Position (€)	281,247,975	18,749,865	2,339,951,367	123,000,000
. Reference Position at the end of accounting period (€)	281,247,975	18,749,865	2,185,566,611	123,000,000
. Security subscribers	UniCredit S.p.A.	partially hedged by protection seller	UniCredit S.p.A.	hedged by protection seller
<b>Distribution of securitised assets by area (€):</b>				
Italy - Northwest	65,039,532		691,971,067	
- Northeast	105,089,243		462,819,741	
- Central	56,939,590		922,086,655	
- South and Islands	72,929,475		386,073,904	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
<b>TOTAL</b>	<b>299,997,840</b>		<b>2,462,951,367</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	299,997,840		2,462,951,367	
Other entities	-		-	
<b>TOTAL</b>	<b>299,997,840</b>		<b>2,462,951,367</b>	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

# Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

**New transactions 2016**

NAME:	SARDAFIDI		BOND ITALIA4 INVESTIMENTI	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	unsecured loans to small and medium enterprises in the region Sardinia, originated with the purpose of financing working capitale and / or investments		unsecured loans - maturity between 24 and 60 months - to small and medium enterprises - hedged by FCG	
Quality of Asset:	Performing		Performing	
Closing date:	10.15.2015		12.07.2016	
Nominal Value of reference portfolio (€):	14,472,615		99,999,355	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	funded cash collateralized financial guarantee hedging the junior risk		unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	n.a	n.a	n.a	n.a
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	n.r.	n.r.	n.r.	n.r.
. Quotation	not listed	not listed	not listed	not listed
. Issue date	10.15.2016	10.15.2016	12.07.2016	12.07.2016
. Legal maturity	06.30.2021	06.30.2021	02.28.2021	02.28.2021
. Call option	n.a		n.a	
. Expected duration (years)	06.30.2021	06.30.2021	02.28.2021	02.28.2021
. Rate	n.a	n.a	n.a	n.a
. Subordinated level	-	-	-	Sub A
. Reference Position (€)	13,186,160	1,286,455	92,499,404	7,499,951
. Reference Position at the end of accounting period (€)	7,544,240	1,286,455	92,499,404	7,499,951
. Security subscribers	UniCredit S.p.A.	partially hedged by protection seller	UniCredit S.p.A.	partially hedged by protection seller
<b>Distribution of securitised assets by area (€):</b>				
Italy - Northwest	-	-	32,389,791	-
- Northeast	-	-	30,569,803	-
- Central	14,472,615	-	15,539,900	-
- South and Islands	-	-	21,499,861	-
Other European Countries - E.U. countries	-	-	-	-
- non-E.U. countries	-	-	-	-
America	-	-	-	-
Rest of the World	-	-	-	-
<b>TOTAL</b>	<b>14,472,615</b>		<b>99,999,355</b>	
<b>Distribution of securitised assets by business sector of the borrower (€):</b>				
Governments	-	-	-	-
Other governments agencies	-	-	-	-
Banks	-	-	-	-
Financial Companies	-	-	-	-
Insurance Companies	-	-	-	-
Non-financial companies	14,472,615	-	99,999,355	-
Other entities	-	-	-	-
<b>TOTAL</b>	<b>14,472,615</b>		<b>99,999,355</b>	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259.1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous periods**

NAME:	GEPAFIN		ARTS MIDCAP2	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans with maturity > 18 months, to corporate clients settled in Umbria - granted by Gepafin (finanziaria di Regione Umbria)		Underlying pool of loans to small and mid corporates - guarantee from CRC S.a.r.l and AREO S.a.r.l.(Junior risk) and FEI (mezzanine risk)	
Quality of Asset:	Performing		Performing	
Closing date:	03.09.2015		06.12.2015	
Nominal Value of reference portfolio (€):	7.473.980		1.618.022.277	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Funded cash collateralized financial guarantee hedging the junior risk		Funded cash collateralized financial guarantee hedging the junior risk; unfunded financial guarantee hedging the mezzanine risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>		No rating agency, use of Supervisory Formula Approach <sup>(*)</sup>	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable		Not applicable	
. Type of security	Senior		Junior	
. Class	A		B	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	03.09.2015		03.09.2015	
. Legal maturity	12.31.2019		12.31.2026	
. Call option	-		-	
. Expected duration	12.31.2019		12.31.2019	
. Rate	Not applicable		Not applicable	
. Subordinated level	-		Sub A	
. Reference Position (€)	6.772.921		701.059	
. Reference Position at the end of accounting period (€)	567.938		700.686	
. Security subscribers	UniCredit S.p.A.		Partially hedged by protection seller	
. ISIN			Not applicable	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Quotation			Not listed	
. Issue date			06.12.2015	
. Legal maturity			12.31.2026	
. Rate			Not applicable	
. Subordinated level			Sub A, B	
. Reference Position (€)			80.900.000	
. Reference Position at the end of accounting period (€)			80.345.561	
. Security subscribers			Hedged by protection seller	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

### Transactions from previous periods

NAME:	ARTS LEONARDO		BOND ITALIA1 INVESTIMENTI	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	ARTS LEONARDO 2015-1 S.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Project financing Loans and Shipping		Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises - hedged by FCG	
Quality of Asset:	Performing		Performing	
Closing date:	06.26.2015		06.30.2015	
Nominal Value of reference portfolio (€):	1,519,889,561		93,593,038	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Funded cash collateralized financial guarantee hedging the junior risk		Unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	06.26.2015	06.26.2015	06.30.2015	06.30.2015
. Legal maturity	2040	2040	02.28.2021	02.28.2021
. Call option	Clean-up call, regulatory call		Not applicable	
. Expected duration	2021	2021	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	1,413,497,292	106,392,269	86,573,560	7,019,478
. Reference Position at the end of accounting period (€)	963,877,962	101,337,816	69,793,983	6,769,478
. Security subscribers	UniCredit S.p.A.	Hedged by protection seller	UniCredit S.p.A.	Partially hedged by protection seller

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kiRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous periods**

NAME:	BOND ITALIA1 MISTO		BOND ITALIA2 MISTO	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Service:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises - hedged by FCG		Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises - hedged by FCG	
Quality of Asset:	Performing		Performing	
Closing date:	06.30.2015		12.31.2015	
Nominal Value of reference portfolio (€):	295,689,323		299,780,540	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Unfunded financial guarantee hedging the junior risk		Unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	06.30.2015	06.30.2015	12.31.2015	12.31.2015
. Legal maturity	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Call option	Not applicable		Not applicable	
. Expected duration	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level		Sub A	-	Sub A
. Reference Position (€)	277,208,740	18,480,583	281,044,256	18,736,284
. Reference Position at the end of accounting period (€)	166,856,333	18,180,583	175,483,556	18,736,284
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller	UniCredit S.p.A.	Partially hedged by protection seller

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

# Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

## Transactions from previous periods

NAME:	BOND ITALIA2 INVESTIMENTI		ARTS MIDCAP3	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises - hedged by FCG.		Underlying pool of loans to small and mid corporates - guarantee from CRC S.à.r.l (Junior risk) and FEI (mezzanine risk).	
Quality of Asset:	Performing		Performing	
Closing date:	12.31.2015		11.21.2015	
Nominal Value of reference portfolio (€):	99,861,218		4,367,226,943	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Unfunded financial guarantee hedging the junior risk		Funded cash collateralized financial guarantee hedging the junior risk; unfunded financial guarantee hedging the mezzanine risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable		Not applicable	
. Type of security	Senior		Senior	
. Class	A		A	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	12.31.2015		11.21.2015	
. Legal maturity	02.28.2021		12.31.2030	
. Call option	Not applicable		Clean-up call, regulatory call	
. Expected duration	02.28.2021		WAL 3,36 regulatory call expected Dec 2022	
. Rate	Not applicable		Not applicable	
. Subordinated level	-		-	
. Reference Position (€)	92,371,627		4,105,194,943	
. Reference Position at the end of accounting period (€)	75,452,093		2,734,196,405	
. Security subscribers	UniCredit S.p.A.		UniCredit S.p.A.	
. ISIN	Partially hedged by protection seller		Hedged by protection seller	
. Type of security			Not applicable	
. Class			Junior	
. Rating			C	
. Quotation			-	
. Issue date			Not listed	
. Legal maturity			11.21.2015	
. Rate			12.31.2030	
. Subordinated level			Not applicable	
. Reference Position			Sub A, B	
. Reference Position at the end of accounting period			218,360,000	
. Security subscribers			214,075,138	
			Hedged by protection seller	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259.1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.



**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous periods**

<b>NAME:</b>	<b>CONFIDIMPRESA TRENINO E COOPERATIVA ARTIGIANA DI GARANZIA DELLA PROVINCIA DI TRENTO</b>	
Type of securitisation:	Tranched Cover	
Originator:	UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.	
Target transaction:	Credit risk hedging	
Type of asset:	Small and Medium Enterprises Receivables, guaranteed in erogation phase by Consortia.	
Quality of Asset:	Performing	
Closing date:	06.30.2014	
Nominal Value of reference portfolio (€):	10,540,000	
Issued guarantees by the Bank:	-	
Issued guarantees by third parties:	Financial Guarantee to hedge the junior tranche in the form of a lien on fixed deposit account.	
Bank Lines of Credit:	-	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	The Consortia guarantee hedges the 95% of the Junior tranche and the tranche is equal to €665,694.	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Reference Position (€)	9,874,316	665,694
. Reference Position at the end of accounting period (€)	2,767,854	347,590
. Security subscribers	UniCredit S.p.A.	Covered by protection seller

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

## Securitizations - qualitative tables

**ORIGINATOR: UniCredit S.p.A.**

Transactions from previous periods

NAME:	UNICREDIT MIDCAP 2014		VENETO SVILUPPO 2014	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	UniCredit S.p.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Highly diversified and granular pool of UniCredit's SME loans, guaranteed in erogation phase by CRC European Loan Origination Platform, Areo Sarl.		Highly diversified and granular pool of UniCredit's SME loans, guaranteed in erogation phase by NEA Fidi and Veneto Sviluppo S.p.A.	
Quality of Asset:	Performing		Performing	
Closing date:	12.16.2014		10.27.2014	
Nominal Value of reference portfolio (€):	1,864,170,543		28,785,600	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of personal guarantee.		Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of personal guarantee.	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Reference Position (€)	1,715,036,900	37,133,644	26,266,860	1,259,370
. Reference Position at the end of accounting period (€)	493,062,761	37,133,644	-	1,259,370
. Security subscribers	UniCredit S.p.A.	Covered by Protection Seller	UniCredit S.p.A.	Covered by Protection Seller
. ISIN	Not applicable		Not applicable	
. Type of security	Junior		Junior	
. Class	C		C	
. Rating	-		-	
. Reference Position (€)	112,000,000		1,259,370	
. Reference Position at the end of accounting period (€)	109,953,146		1,259,370	
. Security subscribers	Covered by Protection Seller		Covered by Protection Seller	

(\*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art. 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide the following five elements:

1. the capital requirement on the securitized assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.



# Execution & Discipline



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

# Certification

**Annual Financial Statements Certification pursuant to Art.81-ter of Consob Regulation  
No.11971/99, as amended**

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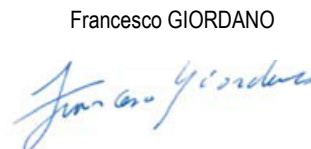


# Annual Financial Statements Certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Francesco Giordano (as the Manager Charged with preparing the financial reports) of UniCredit S.p.A., also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of February 24, 1998, do hereby **certify**:
  - the adequacy in relation to the Legal Entity's features, and
  - the actual applicationof the administrative and accounting procedures employed to draw up the 2016 Annual Financial Statements.
2. The adequacy of the administrative and accounting procedures employed to draw up the 2016 Annual Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Controls - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and for financial reporting in particular.
3. The undersigned also **certify** that:
  - 3.1 the 2016 Annual Financial Statements:
    - a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation No.1606/2002, of July 19, 2002;
    - b) correspond to the results of the accounting books and records;
    - c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer;
  - 3.2 the Report on Operations includes a reliable analysis of the operating trend and results as well as of the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Milan - March 13, 2017

Jean Pierre MUSTIER  


Francesco GIORDANO  






# Reports and Resolutions

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# Report of the Board of Statutory Auditors

Board of Statutory Auditors' Report to the Shareholders' meeting of April 20, 2017 (pursuant to Art.153 of italian legislative decree 58/1998 and Art.2429, paragraph 2 of the italian civil code) 346

# Report of the Board of Statutory Auditors

**BOARD OF STATUTORY AUDITORS' REPORT  
TO THE SHAREHOLDERS' MEETING OF 20 APRIL 2017  
(PURSUANT TO PARAGRAPH 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND PARAGRAPH 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE)**

Dear Shareholders,

The Board of Statutory Auditors is required to report to the Shareholders' Meeting regarding the audit conducted during the year, and the omissions and irregularities found, pursuant to § 153 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance - TUF) and §2429, paragraph 2 of the Italian Civil Code. The Board of Statutory Auditors is also entitled to make remarks and proposals with respect to the Financial Statements, their approval and all matters within its competence.

During the 2016 financial period, the Board of Statutory Auditors conducted its activities in compliance with the Italian Civil Code, Legislative Decrees 385/1993 (Consolidated Law on Banking - TUB), 58/1998 (TUF) and 39/2010 and subsequent amendments and/or additions, statutory regulations and those issued by the Authorities vested with supervisory and control functions, whilst also taking into consideration the standards of conduct recommended by the National Board of Certified Public Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Disclosures are provided below in accordance with CONSOB Communication 1025564/2001 and subsequent amendments and additions.

## 1. Appointment and Activities of the Board of Statutory Auditors

On 14 April 2016, the Shareholders' Meeting of UniCredit S.p.A. renewed the Board of Statutory Auditors, after the prescribed three years, appointed Mr. Pierpaolo Singer (Chairman), Mr. Angelo Rocco Bonisnoni, Mr. Enrico Laghi, Ms. Benedetta Navarra, Ms. Maria Enrica Spinardi (Statutory Auditors) as its members for the subsequent term and until approval of the Financial Statements at 31 December 2018.

In the exercise of its duties in 2016, the Board of Statutory Auditors held 48 meetings, each lasting on average 4 hours.

The Board of Statutory Auditors also attended all of the 22 Board of Directors' meetings and all of the 12 meetings held by the Internal Controls & Risks Committee (IC&RC).



## 2. Significant Transactions

The most significant transactions are described in the Directors' Report on Operations. In particular the following should be noted:

### Strategic Plan 2016-2019 - Transform 2019

The Board of Directors, in the meeting held on 12 December 2016, approved the 2016-2019 "Transform 2019 – One Bank, One UniCredit" Strategic plan, which is based on the five strategic pillars detailed below:

- capital strengthening and optimization, in line with major European competitors, with a view to reach a fully loaded CET1 of over 12.5% by 2019;
- improvement of the quality of balance sheet assets, both in terms of resolution of the issues linked to the Italian loan portfolio through the proactive reduction of balance sheet assets risk and increased cover for bad loans, and the concurrent tightening of risk management policy to improve new loan issues;
- transformation of the operating model by increasing customer focus, simplifying and streamlining products and services at the same time, with a relevant cost reduction for customer activities;
- maximization of the commercial bank's value, capitalizing on the potential of the retail client base and leveraging the position of reference bank for corporate customers in Western Europe, further consolidating the leadership position in CEE and synergy creation;
- adoption of a Group Corporate Center that is both lean and strongly oriented to co-ordinating activities that drive Group performance and ensure accountability through the strict monitoring of KPIs (key performance indicators).

The Strategic Plan, developed on the basis of the Group Risk Appetite Framework approved in November 2016 (which ranks the desired risk/reward profile in line with the Group's business model), entails decisive and challenging actions to overcome past issues and transform the Bank leveraging on existing competitive advantages to seize opportunities and achieve long-term profitability.

In view of future developments of macro-economic and industry scenarios, the legal and regulatory framework and the domestic and international environment in which the Group operates, the Board of Statutory Auditors stresses that the Board of Directors must guarantee the ongoing monitoring of the Strategic Plan, as well as the continuous development and adaptation of the Bank's internal culture in each of its business, control and compliance segments.

The purpose is that of ensuring that any uncertainty and risk factors are identified in a timely manner and suitably monitored by the relevant corporate bodies and functions, and that the business and its sustainable profitability continue to grow within the risk tolerance limits laid down by the aforementioned Board and in compliance with applicable regulations.

It should be noted that the Strategic Plan contains, *inter alia*, measures aimed at reducing the weaknesses highlighted by the European Central Bank at the end of the SREP process (*Supervisory Review and Evaluation Process*) that took place in 2016, which shall be assessed by the European Central Bank as part of the next SREP together with further aspects to be assessed as part of the aforementioned process.

#### **Share capital increase**

The share capital increase is one of the key measures envisaged by the Strategic Plan. The transaction, resolved by the Shareholders' Extraordinary Meeting of 12 January 2017, consisted in a capital increase settled by conferment of a maximum amount of €13 billion, inclusive of share premium, in one or more tranches, also in several issues, through the issuance of ordinary shares, enjoying regular rights, to be assigned to the holders of ordinary shares and those of the Company's savings shares, pursuant to § 2441, first, second and third paragraph, of the Italian Civil Code.

The Offer related to newly issued ordinary shares (without a par value) at the subscription price or €8.09 per share (of which €0.01 as capital and €8.08 as share premium), in the ratio of no. 13 newly issued ordinary shares for each no. 5 ordinary and/or savings shares owned.

As stated by the Bank in the press releases issued to the public: (i) during the Offer Period, no. 616,559,900 option rights were exercised, and, therefore, no. 1,603,055,740 newly issued UniCredit ordinary shares (the "New Shares"), equal to 99.8% of the total of the new shares offered, for a total value of €12,968,720,936.60, were subscribed; (ii) during the first Stock Exchange session after the subscription period, held on 27 February 2017, all 1,469,645 option rights not exercised during the Offer Period and relating to the subscription of no. 3,821,077 new shares were sold for a total amount of €15,063,861.25; (iii) the capital increase was fully subscribed for a total amount of €12,999,633,449.53.

As stated in the Report on Operations, at the end of the transaction, the *pro-forma* positive impact on UniCredit's CET1 consolidated ratio was estimated as 361 basis points net of transaction costs, based on the asset situation at 31 December 2016 recalculated on the scope of the Strategic Plan after M&A transactions A (i.e. sale of Bank Pekao to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR") and of Pioneer Investments to Amundi) and assuming the full implementation of Basel III provisions, as well as the full execution of the capital increase issue volume.

#### **FINO and PORTO Projects**

The Board of Directors analysed, in detail and several times, some of the Strategic Plan's actions aimed at increasing asset quality, such as the "FINO Project" (concerning the reduction of the portfolio of non-core loans classified as non-performing through a market transaction) and the "PORTO project" (i.e. the increase in the cover of non-performing loans and probable defaults in the Italian loan portfolio).

Specifically, the "FINO Project" covers a set of credit exposures classified as non-performing, referring to various sectors, collected in a portfolio conventionally known as "FINO portfolio".

In December 2016, UniCredit S.p.A. signed two Framework Agreements with two third-party investors aimed at regulating the characteristics of two (or more) proposed securitization transactions (expected to be finalized in July 2017), over non-core loans classified as non-performing as at 30 June 2016 for a total gross par value of €17,700 million.

The Framework Agreements described entire relationships with third-party investors and detailed - individually - the structure of the two Project stages, also determining the sale price set for the various lending segments (sub-portfolios) depending on their features and characteristics.

The two stages envisaged, specifically, are:

- "Stage 1": in each of both Framework Agreements, the parties undertook to negotiate and finalize the contractual documentation required to implement one or more securitization transactions through the creation of one or several special purpose vehicle ("SPV" or "Vehicle") that shall purchase the non-performing loans being transferred as detailed in each Framework Agreement. Specifically, in line with each Framework Agreement, investors shall subscribe over 50.1% of each class of ABS securities (the "Notes") issued by the relevant SPV, whilst the remaining 49.9% of the Notes shall be subscribed by UniCredit.
- "Stage 2": for this stage, the parties had previously identified guidelines and strategies aimed at governing, *inter alia*:
  - a. the gradual transfer, including to third party investors, by UniCredit S.p.A. of the Notes subscribed by it, in compliance with the obligation to retain a net economic interest in the

## Report of the Board of Statutory Auditors

securitization transactions as specified by each Framework Agreement;

- b. the optimization of the financial structure of the Notes issued in "Stage 1", including, possibly, obtaining the guarantee on non-performing loan securitizations ("GACS") by the Ministry of Economy and Finance (MEF).

On 1 February 2017, the Board of Directors of the Bank approved the FINO Project in line with the features and content outlined in the Framework Agreements (and the attached documentation), and authorized the Directors to put in place the necessary steps to ensure its completion.

As detailed in the Report on Operations and the Notes to the Financial Statements, given the features and structure of the overall transaction and the steps required for its finalization, as at 31 December 2016 the conditions required by IAS 39.15 *et seq* were not satisfied to derecognize the loans from the financial statements of UniCredit S.p.A. (derecognition assessment of financial assets).

Since the rights to collect the cash flows from the loans that are the subject of the transaction have not yet been transferred, nor an obligation to pay such cash flows to third parties has been assumed, the credit exposures under the FINO portfolio as at 31 December 2016, therefore, continue to be recognized as assets of the Bank and the Group.

Moreover, pursuant to the IFRS 5 principle, these loan exposures were classified in item "140 - Non-current assets and disposal groups classified as held for sale", considering the Group's intention to proceed with the gradual transfer of the entire portfolio in 12 months.

The Notes to the Financial Statements provide detailed elements for the assessment of the FINO portfolio, pursuant to IFRS 5.5, in line with the measurement and valuation criteria provided for by IAS 39.

As such, the loans included in the FINO portfolio until 31 December 2016 (having a total nominal gross value of Euro 17,045), were evaluated taking into account the unique aspects of the FINO Project as a whole (as described above) on the basis of the selling price indicated for the various sub-portfolios in the respective Framework Agreements, pursuant to IAS 39, and specifically with reference to paragraphs 63 and AG 84.

The Board of Statutory Auditors, together with the relevant units and the External Auditors, assessed the presence of the requirements of the IAS 39 and IFRS 5 accounting principles with respect to their applicability to the case under review and acknowledged the opinions of the various external consultants provided by the Bank.

In 2017, the Board of Statutory Auditors shall continue to monitor the process for the development of the required qualitative and quantitative assessment for the derecognition of transferred portfolios, aimed at supporting the prospective assessment of the requirements of the aforementioned IAS 39 accounting principle of the transferred portfolio.

The "PORTO" Project refers to some limited non-performing credit portfolios that are not subject to transfer initiatives being implemented at the Financial Statements' date, unlike the aforementioned FINO Portfolio.

The "PORTO" project is aimed at reducing the stock of non-performing exposures (NPE) identified as a priority in the Strategic Plan, in line with the aforementioned Risk Appetite Framework (RAF), to be implemented via the introduction of a range of actions and management activities linked to the implementation of a new management approach aimed at changing workout and collection methods for non-performing exposures in order to improve the relevant recovery rate.

The strategy on which the new managerial approach is based was developed considering the macro-economic scenario, market trends (in particular, that of the real estate market), the Guidelines of the European Central Bank on the management of non-performing loans ("*Draft guidance to banks on non-performing loans*", published in September 2016 and finalized on 20 March 2017), as well as some internal factors, such as, for instance, the recalibration of the Corporate LGD Model (*Loss Given Default*) with the inclusion of the most recent historical series and a measure aimed increasing the use of extra-judicial settlement.

Based on the new strategy, the methods for calculating anticipated recovery cash flows from loan exposures of Non-performing and Unlikely to pay customers were reviewed both for the Corporate and the Private Segment. As at 31 December 2016, the new approach covered:

- a range of credit exposures classified as non-performing loans with a gross value of €19,137 million, on which greater value adjustments for €2,031 million were recognized, thereby raising the overall coverage ratio from 57.2% to 67.8%;
- a range of credit exposures classified as Unlikely to pay with a gross value of €16,975 million, on which greater value adjustments for €1,315 million were recognized, thereby raising the overall coverage ratio from 37.2% to 44.6%.

The Board of Statutory Auditors assessed, together with the relevant units and the External Auditors, the accounting settings adopted and noted the various opinions issued by the Bank's external consultants.

The Board of Statutory Auditors notes that the changes introduced in the assessment of UniCredit S.p.A.'s loans at 31 December 2016 (which resulted in higher impairment losses of €3,346 million) arise from new information and experience due to a change in the Group's internal and external circumstances in Q4 2016, and represent a change in accounting estimates pursuant to IAS 8 (paragraph 5 in particular). The effects of such change can be found in item 130 of the Bank's Income Statement of Q4 2016, pursuant with IAS 8.36.

As described in the Notes to the Financial Statements, in the fourth quarter of 2016 the Bank's assessment methods were also further updated (both with regard to observation periods and levels of coverage), in order to make them more representative in statistically and automatically calculated cash flow estimates, both with respect to impaired portfolios below a set threshold and certain performing portfolios.

This update affected impaired loans amounting to €9,237 million (gross nominal value) and performing loans amounting to €106,245 million (also gross nominal value), and resulted in higher net impairment losses of around €385 million. The update was recorded in the accounts as a change in an accounting estimate in accordance with IAS 8.35, and has affected UniCredit Leasing S.p.A. income statement for the fourth quarter of 2016.

The Board of Statutory Auditors notes the new approach adopted by UniCredit for the management of impaired loans, as part of the new Strategic Plan, and recommends a strong focus and constant monitoring to ensure that the management tools identified, even if effective for their intended purpose, are always linked to working practices that are in line with the applicable regulatory framework.

### 3. Development of Group operations and other corporate transactions

The Group's strategic review, as approved by the Board of Directors in July, 2016, which laid the groundwork for the subsequent definition of the objectives of the Strategic Plan approved in December 2016, identified and implemented *inter alia* a number of transactions detailed in the Directors' Report.

In particular:

#### **FinecoBank**

Two accelerated book-building ("ABB") transactions for ordinary shares in FinecoBank were initiated in July and October 2016, for 10% and 20% of the share capital, which entailed the recognition of capital gains net of taxes of €217 million and €326 million respectively. UniCredit, however, shall continue to control and consolidate the Company with a share of approx. 35%, leveraging FinecoBank's distinctive capabilities and competencies and supporting its cash investment property. For the lock-in period (360 days from the transaction's settlement date, up to 11 October 2017), UniCredit signed an agreement not to dispose of further shares in FinecoBank, with some exceptions in line with market practice, without the prior consent of UBS on behalf of the Joint Book-runners.

#### **Bank Pekao**

In July 2016, an accelerated book-building offering transaction was initiated and perfected that consisted in the sale to institutional investors of 26.2 million of ordinary shares in Bank Pekao S.A., corresponding to approximately 10% of the existing share capital of Bank Pekao (equivalent to approximately €749 million).

In December 2016, in light of the sale of the entire shareholding of Bank Pekao (equal to 40%), an agreement was signed that provided for:

- the sale of the interest in 32.8% of the share capital of Bank Pekao to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR") with an expected closure of the transaction around mid-2017 and subject to the approval of Regulatory and Antitrust authorities;
- The parallel launch of a market transaction for the transfer or the residual interest, equal to 7.3% of the share capital.

UniCredit also agreed with PZU and PFR the sale of further interests in the Group's Polish companies.

#### **Pioneer**

In July 2016, UniCredit announced that it has agreed with Banco Santander SA and Sherbrooke Acquisition Corp SPC to no longer implement the agreements on the merger of Pioneer Investments and Santander Asset Management signed in November 2015.

In December 2016, after the start of exclusive negotiations, a binding agreement for the disposal of Pioneer was signed with Amundi.

This agreement entailed a cash payment of an amount of €3,545 million by Amundi for Pioneer's acquisition. Moreover, UniCredit shall receive from Pioneer, before the closure of the transaction, an extraordinary dividend of €315 million. The amount does not include the sale of Pioneer's activities in Poland.

UniCredit and Amundi shall form a strategic partnership for the distribution of asset management products in Italy, Germany and Austria, supported by a 10-year distribution agreement. UniCredit shall reposition itself on a distribution-focused business model, whilst retaining the right to commission rights generated by placement of asset management products.

The transaction, approved by the Boards of Directors of UniCredit, Pioneer and Amundi, is subject to conditions precedent, including obtaining the required approvals from Supervisory and Antitrust Authorities. The transaction's closing is expected by the first half of 2017.

The Board of Statutory Auditors notes that, as at 31 December 2016, based on the IFRS 5 accounting principle, the equity interests in Bank Pekao S.A. and Pioneer Global Asset Management S.p.A. were reclassified as non-current assets and groups of assets held for sale.

#### **Cordusio SIM S.p.A.**

As detailed in the 2015 Report on Operations, the Group decided to further expand its Wealth Management footprint in Italy, using a dedicated company, identified as the subsidiary Cordusio SIM S.p.A., to offer advisory and investment management services to customers with assets of over €5 million (*Ultra High Network Wealth Individuals* - UHNWI).

## Report of the Board of Statutory Auditors

Against this backdrop, in November 2016, after receiving the relevant authorizations by CONSOB and Bank of Italy, the UniCredit's UHNWI business was transferred to Cordusio SIM S.p.A.

The latter, apart from providing investment advisory services, shall also provide investment services under § 1, paragraph 5, of Italian Legislative Decree no. 58/1998 (TUF) (placement without subscribing or underwriting the issuer's securities, portfolio management and receipt/transmission of orders).

Cordusio SIM S.p.A., which currently manages assets of over €23 billion with significant growth targets for the next three years, shall continue to provide corporate advisory services, together with the CIB Division (Corporate and Investment Banking of the Parent Company), as well as advisory services in areas that are not strictly speaking financial, such as real estate, art and collecting, succession planning, asset protection and philanthropy.

### **Sale of PJSC Ukrasbank to Alfa Group**

As notified in October 2016, UniCredit S.p.A. completed the sale of its 99.9% equity interest in PJSC Ukrasbank to ABH Holdings SA (ABHH) in exchange for a minority interest (9.90%) in the aforementioned ABHH.

The Board of Statutory Auditors acknowledges the completion of the authorization process and the subsequent finalization of the transaction, as well as the economic effects already included in 2015 results, with the exception of the negative effects on the Exchange Rate Fluctuation Reserve of around €718 million, with a neutral impact on net accounting capital and regulatory capital.

### *Rationalization initiatives for Group activities.*

### **Restructuring of CEE Division activities ("DeLorean" Project)**

In September 2016, the Bank completed the transfer of the CEE Division from UniCredit Bank Austria AG to UniCredit S.p.A., including the interests in CEE subsidiaries, with the registration of the demerger agreement of the CEE Division from UniCredit Bank Austria AG ("UCBA") to UCG Beteiligungsverwaltung GmbH (a company incorporated under Austrian Law wholly owned by UniCredit S.p.A.) and the subsequent cross-border merger of UCG Beteiligungsverwaltung GmbH with UniCredit S.p.A., after obtaining all regulatory approvals.

The transaction was perfected with effect from 1 October 2016, whilst accounting effects were backdated to 1 January 2016.

The transaction resulted in a major negative accounting effect on UniCredit S.p.A.'s Shareholder's equity, detailed in the item "Intercompany Business Combinations Reserve", of €2,324 million, to be covered using available reserves.

The Board of Statutory Auditors acknowledges that the project, whose objective consists in simplifying the structure and enhancing centralized management functions, included redesigning the Group's organizational structure by eliminating UCBA's sub-holding role

towards CEE Banks and transferring the latter under the direct control of UniCredit S.p.A.

As a result of these changes, a CEE Division with management, co-ordination and control functions towards CEE Banks was set up, whose employees work either in Milan or in the Vienna Permanent Establishment (PE) (reporting to UniCredit). The new organization, in particular, provides for co-ordination of customer segments and business processes by the CEE Division.

In 2016, as part of the transaction authorization process, the Bank of Italy made a number of requests to the Bank. The Board of Statutory Auditors acknowledges that such requests have been fulfilled. In particular, these requests pertained to:

- the release of a structural liquidity monitoring program for the Regional Liquidity Center Italy;
- the assessment by the Internal Audit Function of the actual adequacy of IT procedures and systems that support the CEE business, as well as those dedicated to the monitoring and control of relevant risks (assessment issued with a "satisfactory" rating);
- a note of the External Auditors detailing the overall impact of the transaction on UniCredit S.p.A.'s Separate Financial Statements.

### **Transfer of UniCredit Bank Austria AG Pension Fund**

As detailed in the previous Report of the Board of Statutory Auditors to the Shareholders, in April 2016 the Austrian Parliament approved a law (subsequently confirmed with an order issued by the Government on 20 September 2016) that amends the regulations on the transfer of pension obligations of current employees of the subsidiary UniCredit Bank Austria AG ("UCBA") from the company to the state pension service.

This law, in confirming the effectiveness of the agreements on this subject that have the nature and the features of the one reached by UCBA and the Central Works Council on 14 December 2015, has a retroactive effect, in particular by providing for an increase from 7% to 22.8% of the latest salary paid to the employee for the amount to be paid for the aforementioned transfers effective from 1 February 2016.

Despite the fact that UCBA deems that the new regulation may be unconstitutional given its retroactive nature and the significant increase of the percentage to be applied for the transfer of pension obligations, UCBA made a provision for the additional costs resulting from the new law and, at the same time, reviewed personnel costs linked to UCBA's restructuring plan.

The net increase in restructuring costs amounted to €267 million in total, net of tax effects.



### **Trade Union Agreements**

On 4 February 2017 the Agreement on the effects of the 2019 Strategic Plan of UniCredit Group in Italy was signed with the Trade Unions. The agreement provides for a "Incentive-based voluntary redundancy scheme" supported by the extraordinary section of the Industry Solidarity Fund with subscription for 54 months, aimed at Professionals and Executive Managers.

### *Initiatives for business development and other transactions*

With respect to business development initiatives, the Board of Statutory Auditors would like to stress the points raised by the Directors in the Report on Operations, in particular regarding:

### **Card Processing**

In August 2016, an agreement on the sale of UBIS's payment card processing activities in Italy, Germany and Austria was signed between the global service company, UniCredit Business Integrated Solutions ("UBIS") and SIA for a total amount of €500 million in cash.

At the same time, the Group signed a 10-year outsourcing contract with SIA for the provision of card payment processing services. This will allow UniCredit to maintain access to the same high-quality service standard whilst exiting a non-core activity. The transaction was completed in December 2016.

The Board of Statutory Auditors, taking into account that the card business operates in a highly competitive market, characterized by an operator concentration process for the creation of bigger operating platforms delivering greater economies of scale, acknowledges the strategic rationale of the transaction and the standing of the selected counterparty, which is one of the European leaders in financial services and payment systems.

### **Sales of credit portfolios**

In 2016, UniCredit implemented a range of initiatives, aimed at optimizing the credit portfolio, in line with the strategy for the reduction of non-core assets that UniCredit is implementing with the objective of improving the Group's credit rating.

In particular:

- Sale of a portfolio of non-performing loans of the Italian SME segment; agreement signed with Balbec Asset Management in September 2016 for the factoring of non-performing loans arising from unsecured loan agreements with Italian small and medium enterprises, for a gross amount of around €570 million.
- Agreement between UniCredit, Pimco, GWM and Finance Roma for the management of a portfolio of medium and long-term property loans that are part of a selected portfolio with an overall size of €1.3 billion; agreement signed in December 2016 for the operation of the relevant platform through the partnership between UniCredit S.p.A., Pimco (global asset manager), GWM (real estate expert) and Finance Roma (specialized in the management of real estate loans). The agreement consists in the establishment of a securitization special purpose vehicle (SPV) to which receivables from customers are transferred and a management company that will have the task of increasing the future value of the portfolio through the proactive management of underlying assets. The transfer of receivables to the vehicle is expected to take place in two tranches, the first of which occurred in 12 December 2016 and regarded loans to customers of gross €863 million. As stated by the

Directors, as at 31 December 2016, the transaction did not entail the cancellation of receivables from the Financial Statements of UniCredit S.p.A., since the derecognition requirements provided for by the IAS 39 accounting principle were missing.

The Board of Statutory Auditors acknowledges the aforementioned transactions, which are part of the strategy for the reduction of non-core assets aimed at strengthening the Group's credit rating, and examined their rationale, as well as their structure.

### **Participation in Atlante Fund and Atlante II Fund**

UniCredit participated in the establishment of the Atlante Fund by subscribing 19.9% of the amounts collected by the Fund as a whole. It is an Italian closed-end alternative real estate investment fund, managed by Quaestio Capital Management SGR S.p.A. and aimed at supporting the recapitalization of Italian banks and promoting the collection of deteriorated loans.

The Atlante II Fund was created in August 2016. It is a closed-end real estate alternative investment fund dedicated to professional investors, also managed by Quaestio SGR, which has the objective of investing only in NPLs and related instruments. When it was established, UniCredit subscribed no. 155 quotas for a total value of €155 million, of which €1.1 million had been paid as at 31 December 2016. At 31 December 2016, the commitments collected by Atlante II fund amounted to €2.155 billion and, therefore, the aforementioned UniCredit's stake was of 7.2%.

As at 31 December 2016 UniCredit S.p.A.:

- with respect to the Atlante Fund, held no. 845 shares (out of a total of no. 4,249), against an investment of €686 million, reclassified in "financial assets available for sale". Moreover, against the aforementioned shares, it had a commitment to pay up to €159 million to the Fund in subsequent instalments;
- with respect to the Atlante II Fund, it held shares for a book value in line with the subscription price of €1.1 million (equal to the amounts already paid), classified in "financial activities available for sale". Moreover, against the aforementioned share, it had a commitment to pay up to €154 million to the Fund in subsequent instalments.

The participation in the Atlante Fund, recorded under item "3. O.I.C.R shared", was depreciated by €547 million at December 2016.

The Board of Statutory Auditors analysed and acknowledged the managerial valuation adopted by the Bank: the valuation was updated as at December 2016, based on an internal model based on the implementation of the stock market multiples method supplemented with estimates of the NPLs receivables portfolio and related capital requirements.

## Report of the Board of Statutory Auditors

With respect to the aforementioned transactions, the Board of Statutory Auditors analysed, during its meetings, the procedure adopted by the Bank's competent units to define the rationale, the structure and the management of such transactions (including legal, accounting, organizational and operational aspects), up to the definition of relevant decisions by the Board of Directors.

### **Debt/equity swap transactions and portfolio of relevant equity holdings**

During 2016:

- 10 new Debt/Equity swap transactions were authorized for a total of €421.9 million converted debt;
- 10 new equity holdings were acquired and 6 equity holdings were increased for a total of €142.8 million;
- 13 equity holdings were disposed, of which 12 entirely and 1 partially, corresponding to €109.7 million of converted debt.

The "Global Policy Group Credit Operations" approved by the Board of Directors on 13 March 2017, aimed at defining the rules and the guidelines for Group loan transactions and standardizing the contents of the current ten independent Global Policies, including a review of Debt-to-Equity transactions with the introduction of new relevance thresholds.

### **4. Atypical or Unusual Transactions**

The Report on Operations, as well as the information submitted to the Board of Directors during its meetings and received by the Chairman, the Chief Executive Officer (CEO), the Company's Management, the subsidiaries' Statutory Auditors and the External Auditors, revealed no atypical and/or unusual transactions, including intercompany or related-party transactions.

### **5. Intercompany or Related-Party Transactions**

The most significant intercompany or related-party transactions are reported in the Directors Report on Operations.

### **Global Policy for the Management of Transactions with Persons in Conflict of Interest**

The Board of Directors, with deliberation of 13 March 2017, approved an updated version of the *Global Policy for the management of transaction with persons in conflict of interest* - pursuant to CONSOB Regulation 17221/2010, of Bank of Italy Circular 263/2006 and of § 136 of Italian Legislative Decree 385/1993 - that replaces the previous one.

The Global Policy provides for an annual review of the policy itself to check its adequacy over time, in light of the experience acquired as well as of the need/opportunity to make any changes for increased effectiveness of its application. In particular, the measures were related to:

- the alignment of the wording used to identify the cases of "transactions formalized with plafond/internal limits determined for all key elements" entailing the assumption of risk to the wording that describes these cases in credit regulations;

- the qualification of restructuring transactions (inclusive D/E swaps), which were already considered as non-ordinary "by their nature" pursuant to the Policy, as non-ordinary also "by virtue of conditions" and the exclusion of write-off transactions, such as D/E ones, from the exemption from decision-making processes provided for by the Global Policy for restructuring transactions with a value of less than €50 million;
- the content of the disclosure about the conditions applied and the affordability of the transactions, supplemented by further specifications to support the investigation and resolution process of the Related Parties and Equity Investments Committee;
- Information flows towards the Related Parties and Equity Investments Committee, with alignment of the cadence (from quarterly to six-monthly) of the disclosure on "relevant subjects for the Scope of consolidation" with that provided to the Board of Directors.

On 8 March 2017, the Board of Statutory Auditors, subject to favourable opinion of the related Parties and Equity Investments Committee, deemed the Global Policy appropriate as a whole to reach the objectives set by Bank of Italy provisions on risk activities and conflicts of interest in transactions involving associated persons, as well as by CONSOB Regulation on related parties' transactions.

### **Global Policy "Internal controls on risk activities with Persons in conflict of interest"**

On 8 April 2014, the Board of Directors, subject to the prior opinion of the Related Parties and Equity Investments Committee, approved, in compliance with the provisions of Bank of Italy Circular 263/2006 - Title V - Chapter 5 - Section IV "Controls" (hereinafter, also the "Discipline"), the Global Policy "*Risk activities and conflicts of interest in transactions involving associated persons – Internal policies on controls*" adopted pursuant to Bank of Italy Circular 263/2006 - Title V - Chapter 5 - Section IV "Controls" (hereinafter, also, the "Global Policy").

The aforementioned Policy provides for its annual review to verify its own appropriateness, as well as the requirement or opportunity to make any changes.

In 2015, the competent Group Risk Management unit did not deem it necessary to review the Global Policy in question.

In 2016, the Global Policy, in the new version entitled "*Internal controls on risk activities with Persons in conflict of interest*" was comprehensively updated with the following objectives:

- reorganizing the contents of the Global Policy in line with the new Global Policies format introduced by the updated regulation issued by the Organization Function with respect to the definition and management of Global Rules;
- eliminating redundant elements or those overlapping with other Group regulations;

- defining more precisely rules and methods used by Group Risk Management to define the risk appetite, as well as measure risks and monitor compliance with prudential limits, in line with the development of the risk management practices adopted by the Group;
- implementing some suggestions provided by Committee members during the recent validation process of quarterly reports.

The application scope of internal control policies provided for a redistribution of controls between Global Compliance and Group Risk Management.

The Board of Statutory Auditors expressed, on 2 August 2016 with the prior favourable opinion of the Related Parties and Equity Investments Committee, its own favourable opinion on the overall suitability of the Global Policy "*Internal controls on risk activities with Persons in conflict of interest*" for the achievement of the objectives set by reference Regulations on risk activities and conflicts of interested towards associated persons.

As part of the provisions of the aforementioned Global Policy, the Board of Statutory Auditors received periodic information flows on transactions with components of the Combined Perimeter and on the monitoring of supervisory prudential limits on equity interests that may be held.

#### **Transactions pursuant to Article 136 of the Consolidated Law on Banking (TUB)**

With reference to the transactions approved by the Board of Directors pursuant to § 136 of Italian Legislative Decree 385/1993 (TUB), the competent Group Risk Management structures conducted an analysis on the creditworthiness of each company examined, expressing a positive opinion and specifying that the values of the transactions to be approved by the Board of Directors are in line with market conditions, and reflect the conditions applied to clients with the same risk profile and belonging to the same economic sector.

#### **UBIS – VTS**

In December 2016, the renegotiation of the agreement between UniCredit Business Integrated Solution and V-T Services (Value Transformation Service S.p.A., joint venture with IBM Italia S.p.A. that holds a 51% interest in it, dedicated to the provision of infrastructure technology services) was completed, with the aim of enhancing value creation and seizing new opportunities offered by technological developments, also extending its term until December 2026.

The Board of Statutory Auditors examined the supporting documentation for the renegotiation, including the relevant opinion of external consultants, to provide a more comprehensive assessment of the transaction's operational, legal and accounting impacts.

#### **6. Supervisory activity on independent statutory audit activity**

The Board of Statutory Auditors monitored:

- the financial disclosure process;
- the effectiveness of the internal control, internal audit and risk management systems;
- the annual audit of the Company and Consolidated Accounts;
- the independence of the External Auditors, specifically when they provide non-audit services.

The Board of Statutory Auditors examined the reports prepared by Deloitte & Touche S.p.A., whose activity completes the general frame of the control functions set by the regulations with reference to the financial disclosure process.

These reports, issued on 20 March 2017 pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010, show that the Group's separate and consolidated Financial Statements provide a true and correct representation of UniCredit S.p.A.'s and UniCredit Group's financial and asset situation at 31 December 2016, of the financial result and the cash flows for the financial year ended on that date in compliance with the International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of § 9 of Italian Legislative Decree no. 38/05 and § 43 of Italian Legislative Decree no. 136/15.

Moreover, in the opinion of the statutory auditors, the Report on Operations and the information contained in the Report on Corporate Governance and Ownership Structure stated in § 123-bis, paragraph 4, of Italian Legislative Decree 58/98 of TUF were consistent with the Financial Statements documentation.

The Board of Statutory Auditors also examined the report issued by Deloitte, pursuant to § 19 of the Legislative Decree 39/2010, on 20 March 2017, whose main topics and contents are dealt with and contained in this report.

The External Auditors who met regularly pursuant to § 150, paragraph 3 of Italian Legislative Decree 58/1998 (TUF), for the purpose of sharing information, showed the Board of Statutory Auditors no deeds or events considered censurable or irregularities requiring specific reporting pursuant to § 155, paragraph 2, of Italian Legislative Decree (TUF).

The Board of Statutory Auditors, in October and November 2016, organized dedicated meetings with the partners of the Deloitte network in Italy, Western Europe and Central Eastern Europe countries to obtain direct information on review audit activities performed locally and any criticalities found, obtaining their overall assessment of the system of internal controls on financial disclosure.

In November 2016, the external statutory auditor provided to the Board of Statutory Auditors a document on the key points raised during the limited audit of the interim consolidated financial report, as well as the Audit Plan on the activities envisaged by the external statutory auditors for UniCredit S.p.A. and the Group's subsidiaries, with respect to the 2016 Financial Statements.

## Report of the Board of Statutory Auditors

### 7. Supervisory Activities on the Independence of the External Auditors

The Board of Statutory Auditors examined the report on the independence of the External Auditors, pursuant to § 17 of the Legislative Decree 39/2010, issued on 20 March 2017, which showed no situations compromising the independence or causing incompatibility pursuant to §§ 10 and 17 of the aforementioned Decree and the related implementation provisions.

Based on a statement of the External Auditors, the Board of Statutory Auditors noted that, in addition to the auditing tasks regarding the company and consolidated financial statements, the interim report and the check of the regular book-keeping and the proper recording of accounting events, a fee for the non-audit services listed in the table below was paid to the Deloitte network in 2016.

Non-audit services provided to UniCredit S.p.A. in 2016			
Type	Entity providing the service	Description of services	Amount
			(Euro/thousands)
Certification services	Deloitte & Touche S.p.A.	Elkette Project (capital increase): Comfort Letters and Bring-Down Letters on the Prospectus and International Offering Circular; Reports on pro-forma figures as at 31 December 2015 and 30 September 2016; Report on 2017 – 2019 forecast data; Report on the estimate for the 2016 result; Report for the inclusion of the 2016 result estimate into the Prospectus	5,100
	Deloitte & Touche S.p.A.	Limited audit on the Interim Consolidated Financial Statements at 30 September 2016, included into the Registration Document for the capital increase transaction	650
	Deloitte & Touche S.p.A.	Comfort letters concerning bond issues (EMTN - OBG)	319
	Deloitte & Touche S.p.A.	Limited audit of the 2016 Integrated Financial Statements	171
	Deloitte Touche Tohmatsu CPA LLP – China	Audit of Local Financial Statements of the Shanghai and Guangzhou foreign subsidiaries	65
	Deloitte & Touche S.p.A.	Signature of 2015 tax declaration forms, 2015 certificate of conformity and 2014 additional declarations	63
	Deloitte & Touche S.p.A.	Issue of ISA 805 Report ECB Supervisory fees	40
	Deloitte & Touche S.p.A.	Issue of the Report on the Financial Statements in English language by the External Auditor	29
	Deloitte & Touche S.p.A.	Certification of servicing report Cordusio RMBS	10
<b>Total certification services</b>			<b>6,447</b>
Other services	Deloitte & Touche S.p.A.	Agreed Upon Procedures (AUPs) on Transitional Own Funds and Banking Regulatory Ratios	200
	Deloitte Consulting S.r.l.	Support to Regulatory Management Project – “Sub-delegation” Process	93
	Studio Tributario e Societario	Support to the collection of “Transfer Pricing”-related documentation	60
<b>Total Other Services</b>			<b>353</b>

Subsequent to the issuing of the Global Operational Instruction (GOI) "Management of contractual relations with the Independent Group Auditor", in October 2014, addressed to all the Group's subsidiaries, the Board of Statutory Auditors noted the disclosure of the non-audit services provided periodically by the Group Cost & Expenditure Management function during 2016.

In 2016, all companies of UniCredit Group contributed to forwarding the data required and provided for by internal regulations in order to support the timely monitoring of the cost of the services supplied by the External Auditor and, as a result, the aforementioned Department initiated a preventive quarterly information flow towards the Board of Statutory Auditors with respect to non-audit services provided by all entities belonging to the Deloitte network.

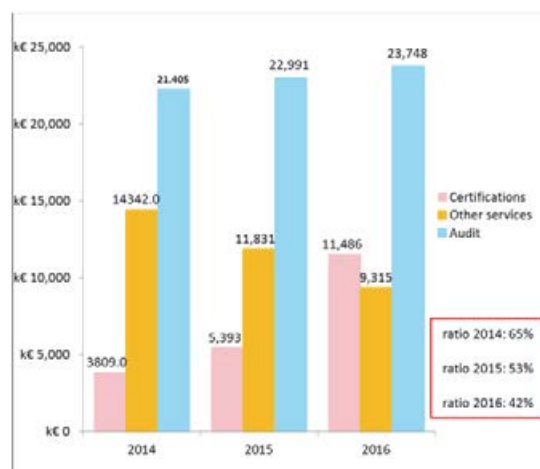
Based on the data collated for 2016, the services provided by the Group's External Auditors amount to approximately €44.5 million, of which €9.3 million refer to non-audit services.

The ratio between the cost of non-audit services 2016 and the three-year average for audit services (2013-2014-2015) came in at 42%, below the limit set by internal regulations (70%). With respect to the planning of non-audit services for 2017, on the other hand, the Deloitte network is expected to receive a mandate for services with a value of approximately €10.9, with a subsequent increase of the provisional CAP to 48%.

The Board of Statutory Auditors also received periodic information from the Board of Statutory Auditors of the subsidiary UniCredit Business Integrated Solutions (UBIS) on the procedures for charging for non-audit services that it has asked the Deloitte network to provide to other Group companies.

With respect to the prospectus on "Disclosure of fees - UniCredit S.p.A. – relevant to the 2016 financial period – Deloitte network", it is noted that, compared to the previous period, the costs for services assigned to the External Auditors increased as a result of the fees billed by the External Auditor for the transfer of the equity interest in the CEE Division from UniCredit Bank Austria AG to UniCredit S.p.A., for the activities requested by Bank of Italy on the DeLorean transaction and for additional procedures performed as a result of strategic projects. Moreover, they also increased significantly for certifications and the issuing of comfort letters as part of the capital increase transactions, whilst, at Group level, the costs of non-audit services assigned to the external auditor decreased by 21%.

The table below illustrates the payments to the Deloitte network in the last three years of their mandate. This confirms how the audit/non-audit services ratio has significantly decreased compared to 2014 and 2015.



On 17 June 2016, Regulation 2014/537/EU on specific requirements for the statutory audit of the accounts of public interest entities came into force, whose provisions already apply from January 2017. The European regulation, even if not final, leaves some doubts of interpretation that concern, in particular, the assessment/approval process for non-audit mandates to be assigned to the External Auditor, as well as the calculation method for the CAP compared to the average of the fees paid in the latest three consecutive years for the statutory audit of the accounts.

In view of the fact that in October 2014 the UniCredit Group issued a Global Operational Instruction (858/1) on the Management of contractual relations with the Group External Auditors that governs both the process for the preventative assessment approval of non-audit mandates to be granted to the External Auditors, and CAP monitoring at Group Level, the Board of Statutory Auditors of UniCredit S.p.A. deemed it appropriate not to amend the applicable regulation, pending CONSOB's decision.

## 8. Supervisory Activities on the Financial Disclosure Process

For the purposes of surveillance on the financial disclosure information, the Board of Statutory Auditors, apart from the already mentioned in-depth investigations with the External Auditors, carried out the planned, periodic meetings with the Manager charged with preparing company's financial reports and the competent Accounting and Group Risk Management units.

The administrative and accounting processes for the preparation of the separate and consolidated financial statements and any other financial disclosure were performed under the responsibility of the Manager charged with preparing company's financial reports, who, together with the CEO, verifies the relevant adequacy and performance.

During periodic meetings aimed at exchanging information, as well as in the aforementioned report prepared pursuant to § 19 of the Legislative Decree No. 39/2010, the External Auditors reported no significant criticalities in the internal control system regarding the financial disclosure process.

## Report of the Board of Statutory Auditors

During periodic meetings held with the Board of Statutory Auditors aimed at exchanging information, the Manager charged with preparing company's financial reports reported no significant deficiencies within the operational and control processes which might jeopardize the adequacy and application of administrative-accounting procedures for the purpose of a proper economic, capital and financial representation of management activities in compliance with international accounting principles.

The Manager charged with preparing company's financial reports and the Chief Executive Officer signed the certifications of the separate and consolidated Financial Statements as at 31 December 2016 provided for § 81-ter of the Issuers' Regulation, approved by CONSOB with Resolution 11971/1999, and subsequent amendments and additions.

The Board of Statutory Auditors also notes the "Report on the status of the internal control system on Financial Reporting - Management Report" for the certification campaign pursuant to Italian Law 262/05 for the Financial Statements as at 31 December 2016, issued on 9 February 2017, and in 13 March 2017 in its final form.

The Board of Statutory Auditors analysed internal regulations on the process that enables the Manager charged with preparing company's financial reports and the Chief Executive Officer to issue the aforementioned certifications.

The Board of Statutory Auditors, therefore, notes the issuing of the following internal set of regulations:

- Global Policy "Certification and Declaration on the Internal Control System and Financial reporting for compliance with the Italian Law on Savings (Law 262/05 – Manager in charge)", published in February 2016;
- *Global Policy Regulation ("GPR")* – Management of the Certification Process pursuant to Italian Law 262/05, published in June 2016;
- *Global Operational Regulation ("GOR")* – Management of Internal Control Systems over Financial Reporting, published in June 2016.

The Board of Statutory Auditors was informed that, with respect to the activities implemented by the Group companies included in the scope of Italian Law 262/05 (no. 89 as at 31 December 2016) to adapt their body of regulations to the aforementioned provisions, the implementation process has been completed by 28 companies, equal to 87% of total assets; for the remaining businesses the implementation of the regulations has been started and a monitoring process is underway by some of the largest Sub-Holding Companies.

Given that the system of processes and relevant controls is constantly updated, the Board of Statutory Auditors recommended that particular care should be taken to guarantee their complete mapping.

About the key points highlighted by the certification campaign, the Board of Statutory Auditors involved the competent units in the prompt resolution of improvement areas for the financial reporting processes, highlighting the need to accelerate those pertaining to open issues with the definition of a work plan, shared and co-ordinated with any other legal entities involved.

The Board of Statutory Auditors, however, reports the following areas for improvement that mainly pertain to the overcoming of manual processing that still characterizes the operations of the units directly involved in the preparation of Financial Statements/report; the lack and/or inconsistency of certain processes due at times to the completion of the identification of individuals responsible for end-to-end processes; the provision of automated reports/procedures aimed at improving production and control activities, currently performed manually.

For the Individual Supervisory Reporting Area, the co-ordination of activities and controls established pursuant to Bank of Italy Circular 285 are performed using the so-called "indirect control model" for compliance risk. The Staff of the Manager charged with preparing company's financial reports seems to have carried out the set of checks that pertain to them.

The Board of Statutory Auditors acknowledged the procedures performed by the External Auditors as requested by the Bank ("*Agreed upon procedures*") at the request of the aforementioned Board, with respect to the (i) processes and relevant first-level and second-level controls: (a) the calculation of Transitional Own Funds and the Banking Regulatory Ratios; (b) the calculation of Weighted Risk Activities; (c) the production of the disclosure provided in the Consolidated Note to the 2016 Financial Statements; (ii) the control of the composition, correct determination and arithmetic accuracy of some information provided in the Notes to the 2016 Consolidated Financial Statements; (iii) the trend and coherence analysis of Transitional Own Funds, of Banking Regulatory Ratios and Weighted Risk Activities.

The Board of Statutory Auditors believes that the aforementioned activity makes it possible to deem the internal regulatory framework adequate and up to date, the design of implemented procedures and control processes sufficiently formalized, and understandable and planned control activities (both first-level and second-level) effectively implemented and effective. The same, moreover, contributes to developing the internal culture on the analysis of the phenomena underlying the formation of Regulatory Capital.

With respect to the activities linked to enhancing data and information governance, as well as to the monitoring of decision-making processes and risk control - a topic on which the Board of Statutory Auditors has placed specific emphasis for some time - the Board of Statutory Auditors has acknowledged the structuring of the Group Data Office ("GDO") with a direct reporting line to Chief Operating Officers.

The Board of Statutory Auditors acknowledged the "satisfactory" opinion of Global Audit about the "Group Data Office" issued by Internal Audit in 2016, without prejudice to the recommendation to implement the framework for data and information governance at Group level, and, at Holding level, to widen its mission in order to mitigate the risks linked to data quality deficiencies found in legacy systems.

The Board of Statutory Auditors also notes the Global Policy “Data & Information Governance”, issued in June 2016 through which the corporate information assets are systematically managed, highlighting how UniCredit S.p.A. is taking an increasingly conscious and proactive stance on this issue, in light of the acknowledgment of its importance and the need for a structured approach.

The Board of Statutory Auditors acknowledges the impairment procedure approved by the Board of Directors and the results of the impairment test for goodwill and other intangible assets as at 31 December 2016, performed on the basis of the financial forecasts (Net Profit and RWA) for the Strategic Plan approved by the Board of Directors in its meeting of 12 December 2016 .

The Notes to the Financial Statements show the amount allocated to the "Provision for risk and charges" for legal disputes.

In particular, a disclosure is provided on the investigations still pending on the part of the US Authorities about issues linked to the economic sanctions imposed by the United States. As indicated by the Bank's lawyers, it cannot be ruled out that the investigations on the methods for complying with the sanctions imposed in the past may be extended to other companies of the UniCredit Group or proceedings may be started against UniCredit S.p.A. and/or the Group.

The Notes to the Financial Statements also contain a disclosure on the risk provision for financial risks linked to disputes and audits and the so-called “negative Euribor”.

In light of the information received and the documents examined, and after having recommended the timely implementation of the corrective actions planned by Management, the Board of Statutory Auditors gives an adequate rating to the accounting-administrative system as a whole, which is considered in line with reference internal regulations.

### **9. Supervisory Activities on the Adequacy of the Internal Control System**

The Board of Statutory Auditors notes the information provided in the Corporate Governance and Ownership Structure on the internal control and risk management system.

The Board of Statutory Auditors examined the 2016 Report of the Internal Audit Function.

Based on the activities performed in 2016, the Internal Control System (“ICS”) at Group level was confirmed as being overall “satisfactory”, as evidenced by the positive assessment of the majority of the Group's Companies, including UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and Bank Pekao, which represent around 95% of the Group's total assets. At Group level, the only “unsatisfactory” assessment of the ICS pertains to Yapi Kredi Bank Azerbaijan due to persistent deficiencies in the ICT security (information system security) and Network areas.

Overall, the Board of Statutory Auditors observed an improvement at Group level in the stock of the findings formulated by Internal Audit, which decreased by around 30% compared to 2015.

Despite the progress made, the Board of Statutory Auditors recommends ongoing focus on the number and the impact of the delays in resolving the findings.

With respect to UniCredit S.p.A., the internal control system for major risks was ranked as “satisfactory” by Internal Audit.

With respect to the credit risk, discussed more in depth in the dedicated section below, specific initiative were launched to address the weaknesses identified in second-level controls, Non Performing Exposures (NPEs), internal models and data quality (collateral, forbearance).

The first-level control system, on the other hand, was deemed appropriate on the whole, with some exceptions detected particularly in some Compliance risk areas (distribution process for insurance and complex products) and specific credit processes (commercial buildings, advances on invoices, mortgage collateral).

Second-level controls performed by the Compliance Function were found to be appropriate on the whole, even if they highlighted the need to further strengthen specific areas (banking transparency, MiFID/sales process for complex products).

The performance of second-level controls by the Risk Management Function was confirmed to be adequate for Market and Operational Risk, but requires significant strengthening in the Credit Risk area.

The Board of Statutory Auditors acknowledges the key findings and the relevant action plans implemented by competent units, as well as the greater responsiveness and proactivity of Management with respect to the closing of corrective actions.

The Board of Statutory Auditors also recommends the further strengthening of the steering, coordination and control role played by UniCredit S.p.A., this also from the perspective of the stringent management and maintenance of risk models, as well as of fully utilizing the potential of IT systems for strategic governance and the Group's management and control activities. Adequate resources should also be assigned to this objective, in line with actual requirements. The Board of Statutory Auditors examined the report at 31 December 2016 “Supervisory Authorities Findings Report – SAFR” prepared on a half-yearly basis, which shows that the stock of existing findings for the Group formulated by the Regulators following inspections was significantly reduced (-33%) compared to the previous half-year, thanks to an appreciable closing activity, also partly offset by new emissions.

No criticalities were found with respect to the action plans implemented and, at 31 December 2016, no delayed action was part of the findings of the European Central Bank, as strongly desired by the latter.

## Report of the Board of Statutory Auditors

The Board of Statutory Auditors examined the “2016 Group ICS Managerial Assessment” document, drafted by Group ICS Initiatives reporting to the Chief Operating Officers, aimed at supporting the Board of Directors in assessing the completeness, suitability, functionality and reliability of the Group Internal Control System as a whole.

Based on the self-assessment carried out by Management in 2016, the Group ICS was found to be “mostly satisfactory”, as a whole, in line with the “satisfactory” assessment expressed by the Internal Audit Function.

The Board of Statutory Auditors, when checking the key findings identified by Management - mainly relating to the diffusion of a risk culture within the Group, Credit Risk Management, Compliance and IT risk - favourably noted the initiatives adopted or being finalized, aimed at further enhancing the internal control and risk management system, in line with the “Transform 2019” Strategic Plan.

With particular reference to the initiatives implemented, the Board of Statutory Auditors recommends that Group initiatives on risk culture should be further developed in order to improve and consolidate the behaviour and the attitude of all employees.

Finally, the Board of Statutory Auditors notes the HY2 2016 Report of the 231 Supervisory Body on the implementation of the organizational and managerial model adopted by UniCredit S.p.A. pursuant to Legislative Decree 231/2001. Based on its controls and activities during 2016, the Supervisory Body did not report any significant non-compliances.

Although situations requiring corrective actions were found, the Board of Statutory Auditors identified no critical situations or events which might lead to an overall unsatisfactory rating of the internal control system.

### 10. Supervisory Activities on the Adequacy of Risk Management Systems

At the date of this Report, the Board of Statutory Auditors notes that the structures responsible are assessing the adequacy of the Group's capital (ICAAP), as well as the overall functioning of the internal process and liquidity risk management system (ILAAP).

#### Credit Risk

With respect to credit processes, the Board of Statutory Auditors acknowledged the results of the activities performed by Internal Audit, which considered underwriting and monitoring phases as “adequate” overall.

The credit risk reporting process, too, was found to be effective as a whole, considering that the implementation of PERDAR (Principles for Effective Risk Data Aggregation and Reporting processes - BCBS - Basel Committee on Banking Supervision) as part of credit risk guaranteed overall compliance with regulatory requirements.

However, the need to focus on the following weaknesses was identified: credit risk management, data quality, second-level control level system, which jeopardized the process for Non Performing Loans (NPLs) in the classification and provisioning areas, the forbearance process and commercial real estate financing.

In 2016, the European Central Bank carried out an inspection on NPEs, whose results were presented to the Board of Directors of 6 December 2016. In the same month, the Bank forwarded to the Supervisory Authority the relevant Activity Plan that provides for detailed actions and relevant deadlines, most of which entailed completion by end of 2017.

The inspection confirmed weaknesses in second-level controls and data quality, apart from the processes relating to risk classification/monitoring, collaterals and provisions.

Following the SREP - Supervisory Review and Evaluation Process - the ECB requested the preparation of an “NPE Strategy” supported by an Operating Plan, in order to address the issue of the large stock of NPLs (Non Performing Loans).

Additionally, also as a result of the aforementioned ECB guidelines on the management of non-performing loans, in Q4 2016 Management launched the “NPE Transformation Program”.

The Board of Statutory Auditors found that the progress status of all the above initiatives was constantly monitored by the competent Bodies.

On 8 March 2017 the Board of Statutory Auditors issued its opinion on the suitability, actual functioning and compliance with regulatory requirements of advanced credit and counterparty risk management models.

With respect to Credit Models, the Board of Statutory Auditors acknowledged the assessments made by the Internal Validation Function and the Internal Audit Function on the Group IRB systems, which were found to be overall compliant with regulatory requirements, even if some deficiencies were detected, particularly with respect to use test, internal validation, asset class e and data quality.

The Board of Statutory Auditors believes that its considerations must take into account the context in which - with respect to credit risk control, management and measurement - the following elements coexist:

- a number of structural and model-specific weaknesses, which accumulated over the years and were timely detected by the aforementioned control functions and by Supervisors;
- a structured approval process for model change and/or scope extension requests on the part of Supervisory Authorities;
- a constantly evolving regulatory framework, aimed at the introduction of more stringent requirements and new implementation technical standards (e.g. new definition of default), most of which are expected to come into force by 2021;



- an intensive intervention and inspection program to be carried out by Supervisors, which will entail significant time effort on the part of the units. Specifically, the European Central Bank identified as one of the priorities for 2017 the targeted analysis of internal models (TRIM – Targeted review of internal models) on a multi-year basis.

The Board of Statutory Auditors, however, detected a proactive intensification of planning activity (already initiated in previous years) aimed at overcoming the criticalities found, including, in particular, the *Credit Risk Governance Program* started in December 2015, rated as “satisfactory” by Internal Audit. It also detected a return to functionality of the “local trading” system compared to 2015, which will have to continue in order to achieve an acceptable degree of adequacy also at Group-Wide level.

With respect to “data quality”, the Board of Statutory Auditors, in noting:

- the findings of the NPL inspection that highlighted weaknesses both for classifications and valuations;
- the recent, extensive organizational changes made by Group Risk Management, with the introduction of new functions dedicated to Group Credit Risk Modelling, Group Credit Risk Processes and co-ordination and planning activities, which, *inter alia*, are aimed at a more effective and efficient management model for the NPE area and reduced risk profiles already discussed in the previous report;

reports that the audits on “data quality” continue to be assessed as “unsatisfactory”, as already highlighted in 2015.

With specific reference to the NPL area, the Board of Statutory Auditors notes that the Bank has set objectives for the reduction of the existing stock and the management of its physiologic creation. Moreover, it has equipped itself with a dedicated organizational structure, complete with dedicated programs, in order to manage the aforementioned issue efficiently and effectively.

The Board of Statutory Auditors, however, deems that, given the nature and the recurrence over time of the majority of the criticalities detected and reported by dedicated functions - even if validation and internal audit reports enable it to consider the regulatory requirements provided for by the supervisory legislation and Group internal rules as globally complied with - it is necessary to adopt measures aimed at immediately implementing decisive managerial resolution actions to remove and/or plug major gaps, particularly for asset classes and data quality.

The Board of Statutory Auditors notes that Management is fully aware of the issues highlighted and is working towards their resolution.

Against this ongoing “checks and balances” backdrop, the Board of Statutory Auditors strongly wishes that the Multi Year IRB Road Map now being defined shall include all key components in terms of detail, sustainability and feasibility, to enable the overcoming of the most significant deficiencies detected for Italy and Group-Wide Models by 2017 (and, in any case, in the aforementioned plan period), as well

as the achievement of the targets set for the others with varying time horizons, compatibly with the nature of relevant operational activities.

Each action and activity of the aforementioned Multi Year IRB Road Map will have to be supported by Management with a constant focus on the inherent execution risk and relevant time scales. It will also be necessary to implement and maintain efficient mechanisms for stringent monitoring at various levels that also involve competent Bodies and entail periodic information flows to the Board of Directors, which, also as expressly laid down by Supervisory Provisions, enable it to monitor the ongoing effectiveness of the choices made through regular assessments, amending the system where required and supervising its overall correct operation.

The Board of Statutory Auditors subsequently reiterated the need for competent Bodies to fully support all functions involved in the aforementioned activities for the improvement of qualitative and quantitative aspects of IRB systems, also by providing increased adequate human and technology resources.

Finally, the Board of Statutory Auditors also stressed the need, which is now crucial due to regulatory requirements, to guarantee consistency in the approach adopted at Group level. This relates to compliance with future regulatory requirements and to the strengthening of the Parent Company's management and co-ordination role, both in a “One Bank” perspective and in the direction desired by BCE.

Finally, the Board of Statutory Auditors detected and reported an ongoing and substantial weakness in the functionality and adequacy of IRB systems; in this respect, therefore, it deems that planned and future measures and initiatives to this end have a high priority, also in view of the targets set by the Group with the approval of the 2016-2019 Strategic Plan in December 2016, as well as of the next assessment performed by the Supervisors pursuant to SREP 2017 on the initiatives implemented by the Group.

#### **Market Risk**

On 8 March 2017, the Board of Statutory Auditors issued its opinion on the adequacy of advanced market risk management models and their compliance with regulatory requirements.

The Board of Statutory Auditors notes the “sufficiently adequate” rating of the Internal Validation Function and the “satisfactory” rating of the Internal Audit Function on compliance with regulatory requirements, detecting an improvement in the ratings compared to 2015 ones (“partially adequate” and “sufficiently adequate”, respectively).

The Board of Statutory Auditors also acknowledges the development of the regulatory framework, which should be concluded in 2019 with the Fundamental Review of Trading Book (FRTB), i.e. the complete review of all regulations on market risk.

## Report of the Board of Statutory Auditors

The Board of Statutory Auditors noted the improvement recorded during the year for the policy for the management of negative interest rates within the framework and the relative resilience of the model, also confirmed by the back-testing activities performed by the competent units.

The Board also noted the authorizations granted by the ECB in 2016 with respect to the related model change request, as well as the authorization granted in January 2017 about the requested changes to the IRC (Incremental Risk Charge) model and pertaining to incremental default and migration risk.

With respect to the findings of the previous observation period, the Board of Statutory Auditors also noted the "satisfactory" assessment issued by the Internal Audit Function as part of the Global Audit on Independent Price Verification (previously closed with an "unsatisfactory" rating) and the recommendations formulated by Audit on the strengthening of the supervisory role of Group Price Control (GPC) and the extension of IPV coverage to equity options parameters. It also acknowledges the "IMOD - Group Market Risk Management" audit, ended with a "satisfactory" rating with respect to the appropriateness of governance, the organizational framework, risk management and control processes, the robustness of the methodology framework and the positive results of internal validation activity.

Finally, the Board of Statutory Auditors noted the recommendations formulated by the Internal Validation Function about two of the model's major weaknesses, which, even if already detected in 2014 and analysed together with the European Central Bank, are yet to be eliminated (alignment of exchange rate risk in UniCredit S.p.A.'s portfolio and the need to agree a unique definition of P&L for the back-testing to be performed at Group-Wide level), wishing and recommending that, after consolidating the reference regulatory framework, the aforementioned weaknesses should be promptly resolved.

In conclusion, in light of the above, the Board of Statutory Auditors believes that the methods for managing market risks are generally compliant with regulatory requirements.

### **Operational risk**

On 8 March 2017, the Board of Statutory Auditors issued its opinion on the adequacy of the actual functioning and the compliance with regulatory requirements of advanced operational risk management models.

The Board of Statutory Auditors acknowledges the overall adequacy rating given by the Internal Validation and Internal Audit Functions in light of the improvements to the internal model for the measurement of operational risk capital requirements.

The Board of Statutory Auditors identified and reported the profiles for management, co-ordination and control activities of operational risks, in the Bank and the Group companies that have adopted such model.

The Board of Statutory Auditors recommended that the corrective actions planned for the improvement areas highlighted should be implemented in a prompt manner.

In particular, in view to achieve a more comprehensive harmonization at Group level in general, it recommended a specific focus on actions aimed at the prompt and full implementation of the policies issued by the Parent company, as well as on the consolidation of management and control process for Group risk indicators and related activities, such as monitoring and reporting.

The Board of Statutory Auditors also recommended a focus on the improvement areas identified in 2016 by the Internal Audit Function as part of individual audits performed and directly linked to operational risk (such as, for example: audit on the distribution of PPI insurance product – "unsatisfactory"; audit on the distribution of complex financial products – "unsatisfactory").

The Board of Statutory Auditors also noted the positive closure of the inspection carried out by the ECB in October-November 2015.

In conclusion and in light of all the above, the Board of Statutory Auditors believes that the framework for managing and measuring the Group's operational risks is generally compliant with regulatory requirements.

### *Plan of Activity of Group Risk Management*

The control and the steering of Group risks are ensured by the UniCredit S.p.A.'s Group Risk Management department, which is tasked with managing, co-ordinating and controlling risks. The model also entails a specific reference point for Italy in the "CRO Italy" Function, which is responsible for managing credit, operational and reputational risk, as well as co-ordinating the lending activities of UniCredit S.p.A.'s subsidiaries headquartered in Italy.

The Board of Statutory Auditors noted that the Board of Directors, during its meeting of 10 January 2017, approved the 2017 Action Plan of the Group Risk Management Function of UniCredit S.p.A., developed also considering the general context of the European Central Bank's requests and the evolution of the regulatory framework.

The Board of Statutory Auditors notes that, with the aim of achieving higher efficiency levels, in 2016 UniCredit S.p.A. activated a single competency centre for all management and co-ordination activities for credit risks and also for development and validation activities for rating systems and the management of integrated risks.

Moreover, the fine-tuning of loan processes and of the regulations for the new classification of NPLs and forborne loans categories in line with EBA (European Banking Authority) and European Central Bank requirements was continued in 2016, with the objective of making the risk culture more pervasive, with the support of dedicated training events.

The Board of Statutory Auditors was notified that some activities will be completed in 2017, also based on the developments of regulatory legislation.

In reference to the implementation, from 1 January 2016, of the aforementioned "Risk Data Aggregation & Reporting" principles issued by the Basel Committee on Banking Supervision, the Board of Statutory Auditors noted the status of the PERDAR project by the Group, launched in October 2013 to ensure compliance with the regulatory provisions aimed at effective risk data aggregation and reporting. It also noted the "satisfactory" rating issued by the Internal Audit Function in the latter part of 2016, on the implementation and effectiveness of planned activities.

### **Compliance Risk**

The Board of Statutory Auditors notes the assessments issued by the Compliance functions with respect to the potential risks linked to compliance, at Group level, with reference to both companies incorporated under Italian law - including UniCredit S.p.A. - and major foreign Companies.

Considering the substantial completion of all the activities performed in line with the 2016 Compliance plan, the results of the risk assessment and second-level controls carried out, as well as the support to all strategic transactions concluded in 2016 and beginning of 2017 in preparation for the development of the "Transform 2019" Strategic Plan, the Compliance Function expressed a substantially positive opinion on the management of non-compliance risk.

The general situation at end 2016 was found to be line with that of the previous financial year (the areas with "Limited" or "Medium" risk were 95% of regulatory areas controlled). Both in Italy and abroad, there are no regulatory areas with "Critical" risk levels and only 5% show "Significant" risk. In particular, in UniCredit S.p.A., the only areas with "Significant" residual risk at end 2016 were Bancassurance and Short-selling. For these areas, the necessary corrective actions have been identified.

The monitoring and guidance process on sensitive compliance issues by the Parent Company is constant and continuous and takes place through direct relations between the Group Compliance Officer and local Compliance Officers and cooperation with the Compliance department of the Parent Company and those of the Group's LEs, as well as the co-ordination and management of the process and procedure adjustment projects, particularly those linked to the implementation of new regulations, which fall into their remit.

Over the year, managerial reporting lines between the managers of Group Compliance and the corresponding units of the Group's main LEs were formalized and implemented.

Moreover, in July 2016, the *Compliance Internal Rule (CIR) – Guidelines on collaboration and communication between Group Coordinators and Local Heads/Focal Points* was drawn up and distributed. It describes co-operation mechanisms and communication flows between Group Coordinators and local

Manager or "Focal Points", supplementing the current Group Compliance Framework.

The Board of Statutory Auditors notes the initiatives implemented by the Function during 2016.

In particular, a framework on the compliance culture was developed, which is based on 5 pillars (support by Top Management, Governance and processes, training and development, communication and people engagement, performance assessment and consequence management), with targeted actions and initiatives being defined for each of them.

With respect to Governance, the Compliance culture framework and its elements were supplemented with the definition, approval and adoption of the *Global policy - Compliance culture*, which defines the principles and the guidelines for the establishment, promotion and support of a compliance culture.

Moreover, Group Compliance Rules continued to be drafted and rationalized. Six new Group Rules were issued, a significant part of which relating to Anti-Financial Crime issues. Additionally, six existing Group Rules were updated, including the one on Market Abuse.

The Board of Statutory Auditors notes that, apart from in some marginal cases, there are no particular backlog instances for the adoption of Group compliance policies and that in the second half-year, specific monitoring was defined.

As part of "*Compliance Mitigations Actions Monitoring Cycle*", the highest priority was given to the implementation of rescheduled and/or overdue actions with respect to deadlines initially set. In particular, in a Risk-based approach, the focus was placed on those pertaining to "significant" areas and those arising from the key findings of Internal Audit. This led to a significant reduction in the number of overdue or rescheduled actions. At the end of 2016, at Group level, there were 2 overdue actions and 16 rescheduled actions in total, against 13 and 54 at the end of 2015.

The Board of Statutory Auditors recommended that the Compliance Function should continue its active effort by promoting the growth of the compliance culture and of controls within the Group.

The Board was informed that FinecoBank, in the first half of 2016, formalized the insourcing of the Compliance Function with the appointment of a Compliance Officer with full responsibility for operational activities. The Parent Company maintained the power for the management of Suspicious Transactions Reports (STR) with respect to Money-Laundering.

With regard to the activity aimed at the assessment of the quality of Compliance processes (*Quality Assurance Review-QAR*), the Board of Statutory Auditors ascertained that, for the 2016 Plan, three cycles were closed on various Group Companies and issues. The QAR activity confirmed the overall compliance of the Compliance processes analysed with Group standards, even if there is still some margin for improvement.

## Report of the Board of Statutory Auditors

The Board of Statutory Auditors also notes that the Board of Directors, in its meeting of 9 February 2017, approved the Compliance Function's Activity Plan for 2017.

The Board of Statutory Auditors was notified about an audit performed by the Internal Audit Function on UniCredit's Group Compliance Function in January 2017 on compliance processes in Italy, which achieved an overall "satisfactory" rating in view of the adequate definition and management of processes. Remedial actions are being implemented at the moment.

The Board of Statutory Auditors also notes that the number of written complaints received in 2016 (no. 32,135) grew by around 15.5% compared to 2015. Over half of the complaints received pertains to the "Loans and Mortgages" macro-category, which contributed (+37% versus 2015) to the overall increase in the number of complaints, in particular those pertaining to salary-backed loans issued before 2012 and repaid early and those concerning the methods for calculating the interest rates applicable to Euribor-indexed mortgages. Around 23% of the complaints received, moreover, refers to the "C/C and collection and payment transactions" category, down 24% compared to 2015.

However, it should be noted that the increase in the number of complaints was not linked to an increase in reimbursements to customers, which, on the contrary, decreased 4.2% in 2015.

The Board of Statutory Auditors invited the Compliance, Claims and Internal Controls Functions to continue the monitoring on an ongoing basis, also in order to define further improvement actions for processes and procedures.

With respect to Anti-Money Laundering, the Board was informed of the findings of the inspections performed by the Supervisory Authority in March/May 2016 at 25 branches of UniCredit S.p.A.

The Board of Statutory Auditors notes that the Bank, with letter of 7 December 2016, sent to the Supervisory Authority details of the activities implemented to resolve detected deficiencies, two of which were closed out by end of 2016. Those still under way are expected to be closed out by end 2017. With respect to the same issue, the Board of Statutory Auditors was notified of the investigation meeting that took place in February 2017, in which the Bank of Italy did not highlight any criticalities with respect to the aforementioned reply.

The Board of Statutory Auditors notes that the "Report of UniCredit S.p.A.'s Anti-Money-laundering Function - Italy - 2016" ("AML Report"), will be submitted to the Board of Directors at a later date, in the 6 July 2017 meeting, and then sent to the Bank of Italy; the results of second-level controls performed, in any case, evidenced a positive trend for the majority of the areas controlled, with specific reference to compliance with the deadlines for the updating of expired or incomplete due diligence.

In view of the results achieved for the improvement of anti-money laundering controls, the Board of Statutory Auditors recommends an ongoing focus on anti-money laundering issues in any case, in order to make the Bank's operations increasingly more compliant with

Bank of Italy's provisions, given the changing nature of money laundering and terrorism financing threats.

As regards the ongoing in-depth analyses on compliance with the US regulations governing USD transactions with entities based in countries under international sanctions, the Board of Statutory Auditors recommended that the highest level of cooperation should be provided to the US authorities.

In this regard, the Board of Statutory Auditors noted the status of Project Alba (launched in 2014) which aims to conduct internal investigations into UniCredit S.p.A. to assess past compliance with US sanctions legislation and regulations and to coordinate at Parent Company's level similar projects launched at a local level within UniCredit Bank AG (project FAUNA, launched in 2011) and UniCredit Bank Austria AG (project MOZART, launched in 2014).

At the same time as internal investigations, the Board of Statutory Auditors was informed of the start of a "Group Remediation and Enhancement Plan" aimed at implementing all risk remediation actions in order to ensure compliance with US regulations on sanctions, in line with the findings of internal investigations and the global approach and the plan presented to the US authorities in April 2016.

In compliance with the Supervisory Provisions of the Bank of Italy - Circular 285/2013 Part One, Title IV, Chapter 3, Section VIII "Internal violation reporting systems" (so-called Whistleblowing), UniCredit S.p.A. established and regulated a process aimed at enabling employees to report any actions or facts that may breach the regulations that govern banking activities, providing several reporting channels that guarantee confidentiality of the personal data of the Reporter and the Reportee.

The supervisory regulation entails, moreover, that the banks shall prepare an annual report on the correct functioning of whistleblowing systems containing "aggregate information on the results of the activities performed following the receipt of reports".

The Board of Statutory Auditors notes the information contained in the Report, which is the first edition from the introduction of the aforementioned regulation and summarizes the details of the no. 23 reports received in 2016, none of which, at the moment, is such as to require notification to the Board of Statutory Auditors and the Chief Executive Officer for subsequent disclosure to the Board of Directors.

The reports received by major Group companies in 2016 were no. 61 in total, including those of UniCredit S.p.A. and Italian subsidiaries.

The Board of Statutory Auditors notes that, on the date of this report, the competent functions are in the process of drafting the reports provided for by applicable regulations on outsourced cash

management and the overall structure of controls over outsourced activities, as well as "MiFID" reports provided for by Articles 13 and 14 of CONSOB/Bank of Italy Joint Regulation.

### **ICT Risk**

In compliance with Supervisory Provisions – mandating that the body with strategic supervision function be informed about the adequacy of the services provided and the support of such services to the development of company operations with respect to the costs incurred on an at least yearly basis – the Board of Statutory Auditors notes the "Summary document on ICT Adequacy and Costs" submitted to the Board of Directors in December 2016.

The findings of the assessment show a value that is deemed optimal, equal to 4, on a scale of 1 to 5. The Board of Statutory Auditors, however, noted that a specific focus must be placed on the "architecture management" area and on software development processes.

The Board of Statutory Auditors, moreover, examined the "Business Continuity Plan" submitted to the Board of Directors in December 2016, updated also based on the development of major cyber-attack risks in line with the most recent international standards (ENISA *Threat Landscape*, 2015) and was informed of the progress of corrective actions (FINITO Project) implemented following the inspections by the Supervisory Authorities carried out for the IT and IT security areas in previous years.

Finally, the Board of Statutory Auditors, noted the "ICT and Cyber risk management: status and roadmap" report submitted by Group Risk Management, "ICT Security overview" submitted by the Co-Chief Operating Officer, "Business Continuity, Disaster Recovery and Crisis Management – Overview 2016" submitted by Internal Audit.

The Board of Statutory Auditors acknowledged a greater focus on overall IT risk on the part of the Bank. With respect to ICT Security, a three-year plan of actions targeted at tackling five priority areas that are deemed strategic was defined: *active defence, data loss prevention, application security, ICT security, risks education*.

With regard to cyber risk, considered as the main risk for the ICT area, the Board of Statutory Auditors noted the definition of a specific roadmap adopted as part of the Transform 2019 Plan, which includes a number of concrete actions aimed at addressing the aforementioned risk.

The Board of Statutory Auditors, after noting the resilience of the systems and their ability to address incidents, recommends the ongoing strengthening of IT infrastructure in consideration of the overall growth in cyber threats.

## **11. Supervisory Activities on the Adequacy of the Internal Audit Systems**

The Board of Statutory Auditors notes that the Internal Audit Function prepared a five-year Audit Plan (2017-2021) prioritizing the Bank processes and activities with the highest level of risk.

The Long Term Audit Plan is updated annually on the basis of the risk assessment and the subsequent identification of the main internal and external risks to which the Group is exposed.

The Board of Statutory Auditors noted that the 2017 Audit Plan introduces a reduction of capacity for Network audits, whereas it increases the commitment for risk aspects controlled by the Group Audit Department, such as ICT, Credit Risks and Compliance. Against this backdrop, the Board of Statutory Auditors deemed it necessary to recommend that a reduction in the resources dedicated to the Network, even in presence of a new organizational structure, should not reduce monitoring of related risks.

The Board of Statutory Auditors then noted the Internal Audit Function's aim of optimizing Network audit methods by adopting a new approach that guarantees the same efficiency levels and that is based on:

- extension of remote audits and remote monitoring using key risk indicators;
- greater focus on process aspects;
- performance of audits on territorial control structures.

In order to fully support the achievement of the aforementioned objectives, professional development initiatives for staff dedicated to the Network are being implemented, with the aid of technical-professional development plans and employee turnover.

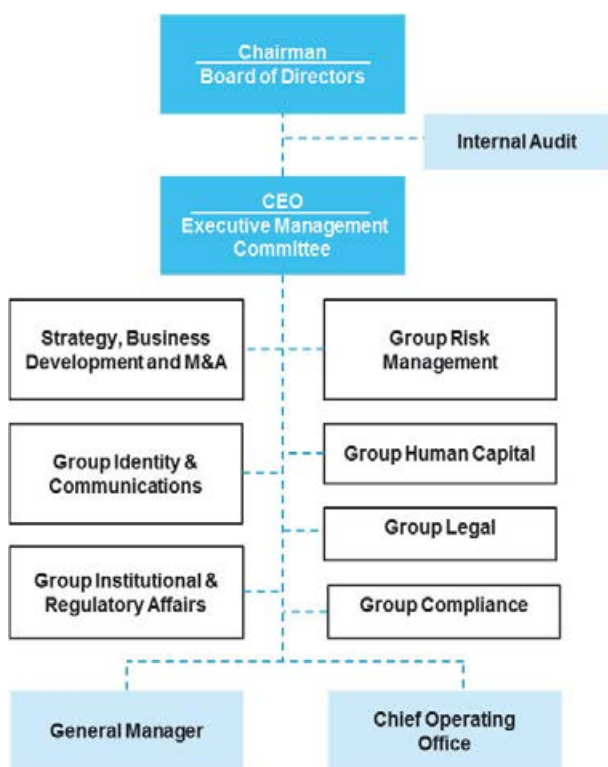
Moreover, higher investment in internal ICT skills is planned, mainly as a result of increased training activities.

The Board of Statutory Auditors also examined the guidelines for the definition of the Group Audit Plan for 2017, which do not only cover the main Group risks but also consider the constraints arising from regulatory legislation. The 2017 Audit Plan, as an integral part of the multi-year plan and in line with the most significant risks for 2017, was approved by the Board of Statutory Auditors in the meeting of 10 January 2017.

With respect to the 2016 Audit Activity Plan, the Board of Statutory Auditors notes that the Internal Audit Function is globally compliant with Group Audit Plans and that the number of reports with a negative rating is substantially in line with 2015 figures.

## Report of the Board of Statutory Auditors

### 12. Supervisory Activities with regard to the Appropriateness of the Organizational Model



In 2016 the Board of Directors approved UniCredit S.p.A.'s new organizational model, which came into effect from 1 September 2016 and the Board of Statutory Auditors examined the validation report on the appropriateness of UniCredit S.p.A.'s organizational structure prepared by the Organization Function.

The Group's organizational structure reflects an organizational and business model which ensures the autonomy of Countries and local Banks for specific activities, in order to guarantee a greater customer focus and efficient decision-making processes, and considers a divisional structure in terms of the governance of certain businesses/products, as well as a global control system of corporate support functions.

The Board of Statutory Auditors acknowledges that the new structure reduces the number of direct reports to the Chief Executive Officer, who maintains direct control over the definition of Group strategy, risks, human resources, the optimization of the cost structure and the main operating activities.

The key responsibilities introduced by the new structure concern:

- the General Manager, a newly created role, takes on responsibility for all business activities (Retail, Corporate, Global CIB, Asset Management, Asset Gathering), in the Countries in which the Group operates;
- the Chief Operating Office, a position shared by two Co-Heads (Co-Chief Operating Officers), with a new remit that includes the

supervision of Finance & Cost Management and IT & Operations, Security and Internal Controls activities;

- the CIB Division, a position shared by two Co-Heads who report directly to the General Manager, covers multinational customers ("Multinational"), selected "Large Corporate" customers with strong potential demand for investment banking products, as well as Financial and Institutional Groups (FIG) customers, and is responsible for the "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)" and "Markets" Global Lines, as well as for international business development activities;
- for Italy, the Co-Heads of the newly created "Italy" unit are responsible for defining the business strategies of the "commercial bank", as well as for network management, co-ordination and control;
- the CEE Division, reporting directly to the General Manager, coordinates the activities performed in the Central and Eastern Europe area in which the Group operates;
- Group Institutional & Regulatory Affairs, reporting to the Chief Executive Officer, is responsible for liaising with institutional counterparties that are of interest to the Group, as well as with Banking Supervisory Authorities at European level (e.g. EBA, ECB) and the Bank of Italy;
- the various departments defined as Competence Lines (Internal Audit; Planning, Finance & Administration; Risk Management; Legal; Compliance; Organization; Identity & Communications; Human Resources) maintain, each for their respective area, the responsibility for managing, co-ordinating and controlling Group activities and related risks.

The Board of Statutory Auditors notes that the aforementioned organizational and managerial structure is an integral part of the Bank's and the Group's transformation program.

Based on the experience gained in the first months, it is overall satisfactory and fit for purpose for managing the current change phase, ensuring flexible and quick decision-making (through the "substitutability" of Co-Heads), as well as the synergetic sharing of assessments and decisions (through the full managerial co-responsibility of Co-Heads).

The Board of Statutory Auditors was informed that, even in absence of a formal assessment, no criticalities and/or conflicts that prevent the operation of the new structure have emerged. The Board of Statutory Auditors, as part of its activities, met with the Co-Heads of the "Italy" unit for in-depth discussions and to gain an overview of the Italy Network.

The Board of Statutory Auditors found that in 2016 the Group Organization & Process Function implemented initiatives aimed at strengthening organizational adequacy, including:

- the definition of the approval and monitoring process for strategic and key projects: the identification of guidelines for the classification and approval procedures of projects/initiatives through a clear definition of project types and a diversified approach;
- the strengthening of anti-terrorism controls: in 2016, new tools and processes for the enhancement of AML, Sanction and Embargo controls were implemented;

- the “MAR Project”: definition and implementation of a single control system for all the Group’s legal entities to ensure compliance with international market abuse regulations;
- the Group Disaster Recovery program: in October 2015, phase 2 of the project for the protection of critical applications was started, which ended in December 2016 as planned.

With respect to the activities for the access control system review, the Board of Statutory Auditors acknowledges the audit performed by Internal Audit and the related managerial initiatives aimed at redesigning the processes and modifying central and peripheral systems to implement a robust and efficient process. The Board of Statutory Auditors, however, deems it appropriate to maintain a specific focus on the ongoing monitoring of access management.

The Board of Statutory Auditors acknowledged the succession of the role of Chief Executive Officer decided by the Board of Directors, which resulted in Mr. Mustier replacing Mr. Ghizzoni from starting from 12 July 2016.

With respect to Mr. Ghizzoni’s severance indemnity, the Board of Statutory Auditors formulated its remarks on 30 June 2016.

Following the rotation of the Head of the Internal Audit Department, in compliance with the provisions of Bank of Italy Circular 285/2013 – Title IV – Chapter 3, the Board of Statutory Auditors issued its favourable opinion on the suitability of the proposed candidate on 2 August 2016.

On the same date, following the rotation of the role of the Manager charged with preparing company’s financial reports, in compliance with the provisions of Article 34 of UniCredit S.p.A.’s Bylaws, Title XI, the Board of Statutory Auditors issued its favourable opinion on the suitability of the proposed candidate.

### 13. Remuneration Policies

The Board of Statutory Auditors noted that during the meeting of 13 March 2017, the Board of Directors approved the “2017 Group Compensation Policy” document and the relevant Directors’ Report, to be submitted to the Shareholders’ Meeting. This document establishes the principles and the standards used to define, implement and monitor Group remuneration systems, as part of the Group strategy review described in the 2016-2019 Strategic Plan, which confirms the pre-existing pillars with a renewed system. The Board of Statutory Auditors notes the new remuneration system that entails substantial changes to the previous policies in terms of: target-based remuneration, long-term incentives, guidelines on shareholding and severance.

The Board of Statutory Auditors notes the report issued by the Internal Audit Function, “2016 Remuneration Policies and Practices”, which was rated as “satisfactory”.

The Board of Statutory Auditors notes that the Board of Directors approved the “2017 Group Incentive System”, confirming the bonus

pool approach introduced in 2014 and the “2017-2019 Long-term incentive plan (LTI)” for Senior Management.

Finally, the Board of Statutory Auditors examined the 2017 remuneration review proposal for the Chief Executive Officer, the Chair of the Board of Directors, the Co-Chief Operating Officer, the Manager charged with preparing company’s financial reports and the Head of the Internal Audit Function of UniCredit S.p.A. and verified the accuracy of the process and the criteria adopted by the Bank when establishing the review of the 2017 remuneration system for senior personnel, including consistency with reference regulations, expressing its favourable opinion on 5 December 2016.

The Board of Statutory Auditors, however, deemed it appropriate to recommend that the Bank’s competent units should promote specific and adequate guidelines, shared with the Authorities, aimed at optimizing the management of future settlement agreements with Management.

### 14. The Board of Statutory Auditors’ Additional Activity and Information Requested by CONSOB

In the performance of its duties, as prescribed by § 2403 of the Italian Civil Code and §149 of Italian Legislative Decree 58/1998 (TUF), the Board of Statutory Auditors:

- verified the implementation of the corporate governance rules contained in the codes of conduct to which UniCredit S.p.A. has publicly stated its adherence. UniCredit S.p.A. complies with the Corporate Governance Code promoted by Borsa Italiana S.p.A. and has produced, in accordance with § 123-bis of Italian Legislative Decree 58/1998 (TUF), the annual “Report on Corporate Governance and Ownership Structure” which provides information on:
  - i. the corporate governance practices applied;
  - ii. the main characteristics of the risk management and internal control systems;
  - iii. the working mechanisms of the Shareholders’ Meeting, its powers and shareholders’ rights and how they are exercised;
  - iv. the composition and operation of management and control bodies and the relevant committees, as well as other information required under § 123-bis of Italian Legislative Decree 58/1998 (TUF);
- exercised oversight in respect of the fitness for purpose of the instructions given to subsidiaries pursuant to § 114, paragraph 2 of Italian Legislative Decree 58/1998 (TUF);
- exchanged information with its counterparts in directly controlled companies as required by § 151, paragraph 2 of Italian Legislative Decree 58/1998 (TUF) and the Bank of Italy’s Supervisory Instructions. In December 2016, the Board of Statutory Auditors, apart from the planned correspondence exchange, deemed it appropriate to meet with the Chairs of the Boards of Statutory Auditors of the major Italian Companies of the Group, to receive reports on any criticalities pertaining to management and control systems and the general trends of the corporate business;
- exercised oversight through inspections of regional offices in Italy, as well as of UniCredit’s branches in Munich and UcFin Munich;

## Report of the Board of Statutory Auditors

- noted that UniCredit S.p.A., as already mentioned, was subject to inspections on the part of Supervisory Authorities, both domestic and foreign, which highlighted the presence of some criticalities pertaining to management aspects, organizational, compliance and control issues, for which UniCredit S.p.A. has implemented multi-year corrective action plans that entail specific project initiatives, to be completed in compliance with the time scales indicated to the Supervisory Authorities;
- has met several times, in compliance with applicable regulations and practices, also upon request, with Supervisory Authorities, to exchange information on issues of mutual interest, also with respect to specific issues discussed in this report.
- The Board of Statutory Auditors received notifications and/or reports to this effect in accordance with § 2408 of the Italian Civil Code. In particular, the following were received:
  - a notification from shareholder Mr. Tommaso Marino, formulated on 8 April 2016 before the Shareholders' Meeting (Shareholders' Meeting of 14 April 2016);
  - a notification dated 29 November 2016 sent by certified e-mail by the shareholder Mr. Tommaso Marino;
  - a notification dated 19 December 2016, sent by certified e-mail by the shareholder Mr. Tommaso Marino;
  - a notification dated 18 January 2017, sent by certified e-mail to the PEC address by Mr. Carlo Borromeo on behalf of the shareholder Mr. Massimo Angelillo;
  - a notification dated 6 March 2017 sent by certified e-mail by the shareholder Mr. Tommaso Marino;
  - a complaint dated 7 March 2017, filed by the shareholder Giovanni Califano.

The Board of Statutory Auditors promptly acted to gather the necessary information from the competent departments, making all necessary investigations and learning the invalidity of the notifications received and sharing the reasons behind their conclusions.

Over the course of this financial year, the Board of Statutory Auditors issued opinions and made remarks as required by the law and banking supervisory regulations.

In addition, the Board of Statutory Auditors disclosed that:

- it acknowledged the self-assessment required by Supervisory provisions, carried out by the Board of Directors in the meeting of 13 March 2017;
- it attended, apart from board meetings, off-site meetings dedicated, *inter alia*, to reviewing Group strategies;
- as required by the Corporate Governance Code issued by Borsa Italiana, it verified that its members held the same independence requirements as Directors;
- it found that the criteria and procedures established under rules adopted by the Board of Directors for the annual assessment of the independence of its members had been correctly applied;
- it verified that the Board of Directors had conducted checks on the relevant offices with regard to interlocking prohibitions pursuant to § 36 of Legislative Decree 201/2011;

- it oversaw that transactions with persons at administrative, managerial or control departments had always been conducted in compliance with Article 136 TUB and Supervisory Instructions

The Board of Statutory Auditors does not believe that it is necessary to exercise the option of making proposals to the Shareholders' Meeting pursuant to § 153, second paragraph, of Italian Legislative Decree 58/1998 (TUF).

### Corporate Governance

The Board of Statutory Auditors of UniCredit S.p.A. operates as part of an integrated governance and suitable, structured inter-company information flows.

The Board of Statutory Auditors, in compliance with the provisions of Bank of Italy Circular 285/2013, carried out a self-assessment on its composition and operation, deeming them appropriate also in light of its development over time and the differentiation of skills and competencies of its members, which ensures its effective operation over time.

It proposes to further promote interaction and collaboration with other Corporate Bodies and Committees appointed by the Board of Directors, as in 2016, and to participate in the induction programs that the Bank is in the process of defining, as part of an improvement in the continuum of the overall governance mechanisms.

The Board of Statutory Auditors was informed of the preliminary findings of the *Thematic Review follow-up on Risk Governance and Risk Appetite* performed in 2016 by the European Central Bank, which did not highlight any major areas for improvement.

In 2016, the Bank implemented several initiatives aimed at further improving the efficiency of the relationship between the Board of Directors and its Committees, optimizing the consultative and propositional role of the latter, as well as the efficiency of Board proceedings.

Finally, the Board of Directors of 22 November 2016 approved the guidelines of a change proposal for the Bank's governance, authorizing the Chief Executive Officer to present its key contents to the market.



## Conclusions

Assessments by the Board of Statutory Auditors revealed no censurable actions, omissions or irregularities necessitating inclusion in this Report.

At the Board of Directors' meetings, at which the most important business, financial and capital transactions carried out by UniCredit S.p.A. and by its subsidiaries were discussed, the Board of Statutory Auditors received the information detailed in § 150, paragraph 1, of Italian Legislative Decree 58/1998 (TUF).

Based on the information acquired whilst performing its supervisory duties, the Board of Statutory Auditors did not detect any transactions performed during the financial year this report refers to that were performed without complying with the principles of proper management, or resolved and carried out without complying with the law and the Company's By-Laws, or not in UniCredit S.p.A.'s interest, or not in accordance with Shareholders' resolutions, or manifestly imprudent or reckless, or lacking the necessary information where Directors' interests were involved, or were prejudicial to the Company's equity.

Having regard to the foregoing, in consideration of the reports produced by the External Auditors noting the joint certifications issued by the Chief Executive Officer and the Manager charged with preparing company's financial reports, the Board of Statutory Auditors, within its remit, found no obstacle to the approval of the Financial Statements as at 31 December 2016 proposed by the Board of Directors.

Rome, 23 March 2017

On behalf of the Board of Statutory Auditors

The Chairman  
Pierpaolo Singer



# Report of the External Auditors

Report of the External Auditors in accordance with Arts.14 and 16 of Legislative decree  
No.39 of January 27, 2010

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**INDEPENDENT AUDITORS' REPORT  
PURSUANT TO ART. 14 AND 16 OF  
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of  
UniCredit S.p.A.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of UniCredit S.p.A., which comprise the balance sheet as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and the related explanatory notes.

*Management's Responsibility for the Financial Statements*

The Company's Directors are responsible for the preparation of these statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05 and to art. 43 of Italian Legislative Decree n° 136/15.

*Auditor's Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of UniCredit S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05 and to art. 43 of Italian Legislative Decree n° 136/15.

## **Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements*

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of UniCredit S.p.A., with the financial statements of UniCredit S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of UniCredit S.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

*Signed by*

**Riccardo Motta**

Partner

Milan, Italy

March 20, 2017

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



# Shareholders' Meeting resolutions

Ordinary Shareholders' Meeting resolution of April 20, 2017

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## Shareholders' Meeting resolutions



## Ordinary Shareholders' Meeting resolution of April 20, 2017

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

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The emissions related to the printing and distribution of the UniCredit S.p.A. 2016 Reports and Accounts, 2016 Consolidated Reports and Accounts and the 2016 Integrated Report have been compensated with the support of Officinæ Verdi, which uses Gold Standard credits gained through the development of a landfill gas capture project in China. The Gold Standard is supported by WWF as it is the most rigorous global certification standard for carbon offset projects.



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